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The State and the Oil Industry in Today's World

MICHAEL TANZER

International Politics/ International Economics

STEPHEN HYMER

Workers' Control and Revolutionary Change

LEO PANITCH

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CONTENTS VOLUME 29 NUMBER 10 MARCH 1978

REVIEW OF THE MONTH: The State and the Oil Industry in Today's World: Some Lessons for Puerto Rico by Michael Tanzer 1

INTERNATIONAL POLITICS AND INTERNATIONAL ECONOMICS: A Radical Approach by Stephen Hymer 15

THE IMPORTANCE OF WORKERS' CONTROL FOR REVOLUTIONARY CHANGE by Leo Panitch 37

BOOKS: Economics, Advertising, and Consumer Culture by Rick Wolff 49

Slavery, Racism, and Democracy by Theodore William Allen 57

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NOTES FROM THE EDITORS

During the second half of January both editors lectured and participated in seminars under the auspices of the Economics Department at the Azcapotzalco campus of the Metropolitan University in Mexico City. The lecture subjects were "The Present Phase of the Capitalist Crisis" (PMS), "The New International Economic Order" (HM), and "Financial Instability at the Center and the Periphery" (HM and PMS); and the seminars, as well as more informal discussions, ranged around the same topics. The University is a new one, having been started under the national presidency of Echeverria (predecessor of the present incumbent), and comprises three campuses within a city which is now said to have between 12 and 15 million inhabitants. In addition to a busy schedule at Azcapotzalco, we were able to meet with old friends (mostly teachers and researchers at the National University) at a reception at the left-wing publishing house Nuestro Tiempo, which has published translations of many MR Press books (as indeed MR Press has of NT books); and to make new friends at CIDE, a research and training center which specializes

(*Continued on inside back cover*)

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THE STATE AND THE OIL INDUSTRY IN TODAY'S WORLD: SOME LESSONS FOR PUERTO RICO

By Michael Tanzer

This paper deals with a topic on which I have written and worked for many years as an economic consultant to governments of underdeveloped countries and states in the United States.[1]* This topic has enormous implications for the future of many underdeveloped countries, and not least for Puerto Rico. Accordingly, the focal point will be the potential and actual role of governments of underdeveloped countries in the area of oil exploration and development, and the lessons that can be drawn for Puerto Rico.

The implications I will derive for Puerto Rico are set against the following general factual background: (1) Preliminary surveys carried out by the Puerto Rican government of

Michael Tanzer is president of Tanzer Economic Associates, Inc., a New York consulting firm specializing in the oil and minerals area. Among other writings he is author of *The Energy Crisis: World Struggle for Power and Wealth,* published by Monthly Review Press. This article is a slightly revised version of a talk given in Puerto Rico last fall. Tanzer's article will be reprinted in *Oil and Class Struggle,* edited by Petter Nore and Terisa Turner, Zed Press, London, 1978.

* Notes will be found at the end of the article.

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the area off the northern coast of Puerto Rico suggest good chances of finding oil, possibly in very large quantities. (2) An expenditure in the neighborhood of $10 to $20 million is required for several wells to test and confirm or disprove these possibilities. (3) Given this situation, the Puerto Rican government is presently considering a production-sharing concession for a major U.S. oil company, under which the company will pay for the exploration and, if successful, get a share of the oil found as its reward.[2]

Against this background, which I will discuss in more detail later, I want to make clear from the beginning my conclusion that such a course of action by the Puerto Rican government, particularly under the terms being considered, would be a tragic and possibly irreversible error for Puerto Rico. Rather, as I will show, what would make far more sense, from many points of view, would be for the Puerto Rican government to pay for the exploration itself, and, if successful, keep for the country *all* the benefits of any oil found.

To explain this conclusion, I will first discuss the range of government oil-exploration policies in underdeveloped countries, the theoretical reasons why "doing it yourself" generally makes most sense for the governments concerned, and the experiences of some countries which have done so. I will then examine how these practical experiences might be applied to Puerto Rico. Finally, I will conclude with a brief discussion of the broader implications of a government oil-exploration effort, particularly as they relate to the potentials for overall economic development of Puerto Rico, and to the vital question of the country's future political status.

Turning to the general question of the present practices of underdeveloped countries in the oil exploration area, we find a wide range of approaches. At one extreme there are countries where the state is essentially a passive tax collector, turning over the risk of oil exploration and full control of such exploration and development to private foreign companies, in exchange for a share of the profits from the sale of the oil, which remains in the control of the foreign companies (the "state tax-collector role"). In the middle are the countries where the state essentially becomes a partner with private foreign companies on the

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basis of the companies putting up the funds for exploration, and if oil is found the production is shared on some basis between the company and the government—a plan similar to that being considered by Puerto Rico (the "state production-sharing role"). Finally, at the other extreme there are the cases where the state itself bears the risk of exploration, retains full control over exploration and development, and gets 100 percent of any oil found (the "100 percent state-control role").

If we were to characterize today's underdeveloped countries by these roles, we would probably find that the passive tax-collector states are the smallest number, the production-sharing states the largest number, and the 100 percent state-control cases an intermediate number. However, this static head-count would be misleading in an important sense because, looked at dynamically in terms of historical development, we would see that the passive state role is more or less rapidly dying out, having been largely replaced by the production-sharing role, and that in crucial countries the 100 percent state role is itself replacing the production-sharing approach.

At the risk of some oversimplification, I would argue that the tax-collector role was a product of colonialism, the production-sharing role a product of neocolonialism, and the 100 percent state-control role is a product of a drive for economic independence in the underdeveloped countries. Thus, while until the 1960s the passive tax-collector role was the dominant form, the countries which still accept this role tend to be extremely weak countries which are virtually colonies. The production-sharing approach, which was popularized by Indonesia in the 1960s, while progressive in form, was in substance often similar to the passive tax-collector role. This is because while the state got some of the oil itself rather than just the money profits, often the state simply sold back its share of the oil to the companies and ended up in the same position. The 100 percent state-control approach, of which there are examples going back many years, has begun to gain greater influence in the underdeveloped countries, particularly since the jump in oil prices following the 1973 OPEC price revolution, and the consequent huge effect that oil, or the lack of it, has had on underdeveloped countries.

Why are more countries now turning to a 100 percent

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state oil-exploration effort? There are a number of reasons, but among them I would like particularly to discuss the increasing spread of knowledge concerning the workings of the international oil industry, and in particular the beginning of the erosion of myths about the oil industry—myths which, being highly profitable to the companies, are perpetuated by them and by some international agencies in order to deter governments of underdeveloped countries from entering the oil industry, and exploration in particular. In sum, these myths are that only the big international oil companies possess the technology and capital necessary to carry out oil exploration and development and can afford to risk failure. I think it is particularly important for Puerto Rico, at this point in history, to understand why these are myths, and false, so I would now like to discuss them briefly.

As to myth number one, that *only* the big oil companies control vital exploration *technology,* the facts are that in today's world, most oil-exploration efforts, both onshore and offshore, are *not* carried out by the big international oil companies, like Mobil or Exxon, but by smaller specialized drilling firms which sell their services to anyone, usually for a flat fee and not for a share of the profits.[5] While it is true that in the underdeveloped countries these drilling firms work to a large extent for the big oil companies, this is so because the governments of these underdeveloped countries usually leave the control of exploration to the oil companies under the production-sharing arrangements. What is more relevant, however, is that any government which is willing to pay the going market rate for these drilling operations can obtain them without recourse to the big oil companies, and without giving up a share of production or profits. (And, I might note, this is also true of pre-drilling exploration, such as geological and seismological surveys, which in the case of Puerto Rico were carried out by the government's hiring Western Geophysical Company, and not by a big oil company.)

As to myth number two, that *only* the big oil companies have the *capital* necessary for exploration and development, this falsehood exists because of a failure to recognize that while very large amounts of capital are required for finding *and developing* an oil field, only a small part of these funds (perhaps 5 percent

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or less) is needed for the truly risky function of exploration.[4] The great bulk of the capital required is for development of an oil field once found, and this is not a risky job. Moreover, given the great value of oil in the world today, oil in the ground is an extremely bankable asset, and the necessary development capital can easily be raised by loans, on quite favorable terms. Such loans, as we shall see, can be obtained from international agencies, commercial banks, equipment suppliers, or countries and oil companies that are anxious to secure future supplies of crude oil.

As for myth number three, that *only* the international oil companies can *afford the risk* of oil exploration, this falsehood exists because of excessive concentration on the cost of exploration, with little attention being paid to the benefits. Whether or not a risk is worthwhile, or affordable, as the oil companies know so well, depends not only on the costs but also on the possible benefits, and what resources can be diverted from other uses to take the gamble. If, by way of a not-so-hypothetical example, $10 million has to be spent on exploration, and the chance of finding a one-billion-barrel field worth 1,000 times the oil exploration investment is one out of two, surely no rational person would say the country cannot afford the risk. After all, any country—no matter how small—has some resources available which it could shift to such an exploration "gamble." In the case of Puerto Rico, which though a small country has a Gross National Product far greater than many larger underdeveloped countries, is it not worth the gamble of less than one-tenth of one percent of the government's annual budget to finance a venture which could give the country a huge boost in its economic development?

Further, it should also be pointed out that exploration is not an all-or-nothing thing, but a series of steps seeking information, which can be cut short if the initial information indicates that prospects are dim. Thus, if four wells cost $10 million, but the first two give very bad results, then you can cut your losses by ending exploration, and hence your actual risk capital will turn out to be much less than the maximum.

Finally, on the question of what Puerto Rico can "afford," one must also ask whether the country can afford to give up

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control of a large share of its oil resources to a giant multinational company which has many interests all over the world. This is particularly important because in today's world oil is a scarce resource whose value is often far greater than its market price. This may be particularly true for a country which might hope to use oil as a basis for further industrialization—a point I will return to below.

By way of footnote to this topic of the possible state role in oil in underdeveloped countries, I should also point out a very fundamental reason why many of them have not moved beyond production-sharing agreements, even where they have penetrated these myths. And that reason is the historically very strong opposition of the international oil companies backed by their powerful home governments, and international lending agencies like the International Monetary Fund and the World Bank, to state companies entering into the oil companies' highly profitable business.[5]

Now, having examined some of the reasons why it is possible for governments of underdeveloped countries to move into 100 percent state roles in oil exploration, I would like to give some specific examples. There are a number of countries in which the government has set up a state oil corporation which carries out oil exploration, either with its own personnel, or through contracting for such services on a fee basis. I will discuss briefly three illustrative examples: Mexico, India, and Vietnam. Mexico is of interest because it has a long history of 100 percent state control of oil; India is a case study of a government shift from production-sharing to 100 percent state control in the offshore area, and the benefits it has reaped; Vietnam is an example of a war-torn country new to the oil industry which in only two years has leaped ahead to develop a pioneering approach to 100 percent state control.

Petróleos Mexicanos, or Pemex, the country's state oil company, was born in 1938 when the Mexican government nationalized the oil industry because of its arrogant refusal to accept the sovereignty of the government.[6] Pemex, which started as a struggling operation, inherited some old refineries and a declining oil-production sector; it faced almost universal hostility

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from the powerful oil companies and their home governments, which attempted to boycott and strangle it from the beginning. Nevertheless, despite continuing hostility from these sources, Pemex built in its first three decades an enviable record in the oil-exploration area.

According to some calculations I made about ten years ago, at a time when crude oil was selling at around $2 per barrel, Pemex had invested, between 1938 and 1966, an estimated $600 million in exploration efforts, finding seven billion barrels of oil reserves worth approximately $14 billion, or $24 in oil found for every $1 invested, with all of the oil and its profits going to the country. In more recent years Pemex has far outstripped even this performance, finding huge new reserves onshore and offshore, which are officially put at 14 billion barrels but unofficially estimated as high as 60 billion barrels. Where once the big foreign lenders boycotted Pemex, now they fall all over each other to make loans for oil development, on very favorable terms.[8] Indeed, one of the ironies of the present situation is that those forces in the United States which continually scoffed at Pemex's efforts and called it a "failure," now look to Pemex as a possible savior from OPEC, hoping that it will provide the United States with a major supply source which might undermine OPEC's power.

The enormous monetary value of the oil which Pemex has found, through its own drilling operations carried out by Mexican personnel, has clearly been far greater than Pemex's exploration expenditures. Indeed, my earlier study of the 1938-1966 period indicated that the annual profit rate on its exploration investment, valuing oil at $2 per barrel, was 35 percent—all of which was kept within the country. Equally important, however, Pemex as a state oil company played a major role in helping to promote the growth of Mexico's economy, through such means as selling oil at low prices, encouraging indigenous production of oil-field supplies like steel pipe (which in turn helped develop a steel industry in Mexico), producing petrochemicals which aided agriculture, and even providing social services such as roads, schools, and water systems for some of the poorer rural regions.

The second country to be discussed here is India, which is

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one of the poorest countries in the world, with a per capita income of about $100 per year. Surely India would seem to fit the myth of a country whose government cannot afford the risk of exploring for oil on its own, yet it has very successfully carried out such exploration at great benefit to the country.

The background to this story is that there has been a long struggle in India during the post-Second World War period over the extent to which the government could carry out oil exploration on its own, as opposed to granting concessions to foreign companies.[9] In particular, India was strongly pressured by the foreign oil companies (including Exxon and Mobil), their home governments (particularly the United States), the World Bank, and the International Monetary Fund to leave oil exploration to the private companies. As a result, even though hardly any exploration was carried out by the companies, which at that time had huge reserves in the Middle East, the government did relatively little in the oil-exploration area, although it had some success with onshore drilling directly carried out by government personnel. However, in the more technologically difficult offshore area, the conflicting pressures resulted in delay and indecision, until the 1973 oil price jump forced the country to take action. In 1974 the government compromised by awarding two production-sharing concessions to foreign oil companies, and reserving one area for the state oil entity, the Oil and Natural Gas Commission (ONGC).

The result of that decision is that the ONGC found a major offshore oil field (the "Bombay High"), while the two private company groups, after some unsuccessful drilling, have now ceased operations. As for the Indian government's efforts, the sequence of events was as follows.[10] The government bought what is called a "jack-up rig," which is the simplest and cheapest kind of drilling platform suited for shallow waters up to 250 feet. (This is the same kind of rig, I might note, which would be adequate for drilling in the shallow waters where there are promises of oil offshore Puerto Rico.) The rig was built in Japan, and the Indian government hired a U.S. offshore drilling company to operate it and also to train Indian nationals to carry out this work in the future, on a fee basis. The cost of buying the rig was probably about $25 million, while

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the management and training fee was in the neighborhood of $1 million per year.

Five exploration wells were then drilled between mid-1974 and mid-1975, and these wells "proved out" a field estimated to contain in the neighborhood of one billion barrels of oil, worth at today's prices about $14 billion. The total exploration costs (allowing for the fact that the Indian government did not have to buy the rig but could have rented it, and hence only a part of the investment should be charged to the one year's effort) was probably on the order of $20 million. Thus, by "risking" $20 million in exploration expenditures, the government found oil worth more than 500 times as much, all of which now belongs to the country. Surely no other area of economic endeavor offers such tremendous potential return for such relatively small outlay!

The development expenditures to bring the Bombay High field into full production—about 200,000 barrels per day by the early 1980s (an amount which will be worth about $1 billion per year at today's oil prices)—are estimated at about $600 million in total. While this is a great deal of money for India, as it would be for Puerto Rico, the country has had no trouble obtaining loans on very favorable terms for such oil development purposes. Even the World Bank, which has historically resisted making loans to state oil companies because it favored private capital in the oil area, has made its first such loan to the Indian government, of $150 million, at 8.2 percent per year.[11] One can rest assured that, had World Bank money not been available, other private capital would have been eager to fill the gap—as evidenced by the fact that the Indian government recently got its first commercial bank loan (at "a mere 1 percent above the London Interbank Offered Rate"), based partly on its new-found oil reserves.[12]

The Indian government also has been able to help "self-finance" the oil-field development, and thus to reduce the need for loans, by a technique which might also be applicable to Puerto Rico. This is to bring the field quickly into production by loading the oil onto tankers at sea and carrying it to shore. This serves the dual purpose of not having to hold up production until an expensive pipeline from the offshore field to the

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land can be completed, and also providing a cash flow to help pay for the pipeline. Thus, while the pipeline being built is to be finished by mid-1978, the Indian government, by starting production in mid-1976, will have achieved production of 50,000 barrels a day by that time. It will have produced several hundred million dollars worth of oil before the pipeline is completed, which is more than enough to pay for the entire cost of the pipeline! By way of footnote, this initial success has stimulated the Indian government to additional exploration, and thus far it has found at least one more promising offshore oil field.[13]

Finally, the experience of the Socialist Republic of Vietnam since the end of the war in 1975 illustrates how quickly an underdeveloped country can develop a highly advantageous and sophisticated approach to offshore oil exploration. Essentially the Vietnamese undertook an intensive investigation of the realities of today's international oil industry. As a result, the government has established a two-pronged approach to offshore oil exploration. This has dramatically reversed the previous situation under the Saigon regime which had awarded concessions offshore South Vietnam to foreign companies on terms highly disadvantageous to the country.

While details of the Vietnamese government's arrangements have not been made public, reports from the business and petroleum press indicate the following pattern.[14] First, the government appears to have reserved some of the most promising offshore areas for its own exploration efforts, to be undertaken at its own risk, with technical services and financing from Norway. According to *Business Week,* this involves a $45 million credit package, from a consortium of Norwegian oil companies and banks backed by the Norwegian government, consisting of $9 million in aid and $36 million in a fifteen-year loan at a "very low interest rate"; Norway is also building an offshore exploration training center in Vietnam.

Second, the Vietnamese government is negotiating arrangements for exploration in other offshore areas in the form of service contracts with state oil companies of Western European countries which are particularly anxious to obtain assured long-term supplies of crude oil—notably, Elf-Aquitaine of France,

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ENI of Italy, and Deminex of West Germany. These service contracts reportedly provide that the companies will take the risk of exploration and get the right to buy up to 45 percent of any oil found at 7 to 10 percent below world market prices. On that basis, after deduction of costs, Vietnam would end up with 95 to 97 percent of the oil profits, and the foreign state oil companies 3 to 5 percent.

The preceding analysis gives us a quantitative background to show just how bad Puerto Rico's proposed strategy of granting offshore concessions to major oil companies would be for the island. While *all* concession agreements have to be carefully analyzed because the details can often be more crucial than the widely publicized general terms, as I understand the situation in Puerto Rico, based on published reports, any concessions given out would be along the following lines. Up to 40 percent of the production would be used to cover investment and operating costs, while the remaining 60 percent would be divided equally between the government and the oil company, with the company paying a 50 percent tax rate on its share of the profits.[15] In effect, then, after deducting all costs the government of Puerto Rico would get only 75 percent of any net profits and the oil company would get 25 percent.

Moreover, taking the Puerto Rico concession terms as indicated, let us further assume that an exploration expenditure of about $10 to $20 million could prove out, as in India, a one billion barrel field, requiring a development expenditure conservatively estimated at $1 billion. On this basis, some rough calculations would yield the following conclusion: First, by giving out a concession to private oil companies, and "saving" $20 million, at today's prices the government would be giving up to the oil companies over the life of the field profits of about $3,000 million, or some 150 times the company's risk investment in exploration! And, if the field turned out to be larger than India's, which is quite possible, the companies might take out 1,000 times their risk investment. Surely this would be a classic case of Puerto Rico being "penny-wise and pound-foolish." This is especially true because apparently the results of the preliminary surveys offshore Puerto Rico (for which, it should not

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be forgotten, the Puerto Rican government has already spent $5-$6 million) are highly promising and suggest that the risk here is considerably less than it was offshore India.

It is also important to note another drawback to a production-sharing concession. Aside from the fiscal consequences, the fact is that in the first five years or so of production, about 70 percent of the oil produced goes to the companies to use as they choose, while in later years more than 50 percent will go to them.[16] Since, as mentioned earlier, oil in the future may be more valuable to those who possess it than its mere market price, this loss of control of the oil could be a serious blow to Puerto Rico.

Finally, by way of conclusion, I would like to point out that to an outsider it would seem that the whole question of the possibilities of oil existing in Puerto Rico, and how it should be best exploited, has very important implications not only in the economic area, but also as regards the future political status of the island. First, and perhaps most basic: one of the most obvious prerequisites for a truly economically independent country is a viable economy. Just as obviously, if there are large quantities of oil which belong to Puerto Rico, this could go a long way toward laying a foundation for such a viable economy—something which I assume would be desired by both supporters of independence and statehood alike. At the same time, if a large part of that oil is not under the control of Puerto Rico, then this clearly weakens the role that oil could play in promoting economic independence.

Second, and related: if, for example, Puerto Rico were to become the 51st state in the United States, there would be other implications in terms of the use of any Puerto Rican oil. For one thing, such oil could easily become caught up in the whole process of regulatory law in the United States aimed at ensuring that there should be no interference by the individual states with the free flow of commerce among the states. Thus, it might come to pass that as a state, Puerto Rico would be unable to ensure that its oil was used within the island or for the benefit of the island—a situation that Texas and Louisiana have feared will occur with declining oil and natural gas pro-

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duction on the mainland. Moreover, there is also the whole complex question of oil taxation, and what the different possibilities would be if Puerto Rico were independent, or a state, or something else, and if the oil produced were under a production-sharing agreement.

Because the issue of oil has so many vital implications for Puerto Rico's future, it seems to me that the island has a great need to obtain as much knowledge as possible and to analyze carefully all the possibilities before it takes steps such as giving out concessions to big international oil companies—steps which may prove to be irreversible for legal or practical reasons.

The two things which seem to be most urgently needed are greater knowledge about the international oil industry and greater knowledge of what oil resources may exist in Puerto Rico. To meet these needs, it is important to develop within Puerto Rico a capability to provide this knowledge, without taking steps which will prejudge the future, and limit future options. Toward this end, Puerto Rico might consider the fact that some eighty underdeveloped countries have set up state corporations exclusively concerned with oil, whose activities range from actually carrying out exploration and development to at least putting the country in a position to negotiate better concessions from the oil companies.

In the final analysis, in the world of today, just as war is too important to leave to the military, so oil is too important to leave to the private oil companies. This fact is being recognized in strongholds of private enterprise like Western Europe and Japan, as well as in Canada where the government has set up an integrated state oil company to do everything from exploration and producing oil to operating refineries. Even in the United States itself, where the power of the big oil companies is greater than anywhere else, the federal government is now proposing to get into the business of oil exploration by contracting for drilling on the outer continental shelf.[17]

If the goal is to have all oil resources in Puerto Rico used for the maximum benefit of its people, then it is extremely important not to be stampeded into hasty action now, such as giving out self-destructive and irreversible concessions. Whatever

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oil may exist in Puerto Rico has been there for millions of years, and if it takes another year or two to develop the capability of dealing with it in an effective way, the oil will still be there.

NOTES

1. See Michael Tanzer, *The Political Economy of International Oil and the Underdeveloped Countries* (Boston: Beacon Press, 1969), chapter 10 (this book is referred to hereafter as *Political Economy of International Oil*); Tanzer Economic Associates, Inc., *Alaska's Prudhoe Bay Oil: Profitability and Taxation Potential* (A Report to the Alaska State Legislature, January 9, 1976); Tanzer Economic Associates, Inc., *Impact of Increased Taxation on Oil Exploration and Development in Alaska* (A Report to the Alaska State Legislature, March 25, 1977).
2. The chances of finding oil off the north coast of Puerto Rico have been estimated to be as high as 50 to 85 percent. For a summary of the debate on this issue, as well as other facts on the situation, see Robert Friedman, "Will Puerto Rico Get the Best Deal?" *San Juan Star*, January 18, 1977.
3. For preponderance of ownership of offshore rigs by independent drilling companies, see *International Petroleum Encyclopedia: 1976*, pp. 290-298; for discussion of how are rare major oil company ownership of land rigs is, see *World Oil*, October 1977, pp. 43-46.
4. See, for example, the experience in India, discussed later in the text, where exploration was about 4 percent of total costs.
5. See Michael Tanzer, *Political Economy of International Oil*, especially chapters 4, 8, 10, 17, and 18.
6. Unless otherwise noted, this analysis of Pemex's earlier role is drawn from *ibid.*, chapter 22.
7. For official estimate, see *The Oil Daily*, September 21, 1977, p. 4; for potential reserve figure, see *Petroleum Economist*, June 1976, p. 233.
8. See, for example, *Platt's Oilgram News Service* (*Platt's*), September 29, 1977, p. 1.
9. For more details on this background, see *Political Economy of International Oil*, chapter 18.
10. For data on the Indian government and its Bombay High oil field see *New York Times*, January 18, 1975; *Petroleum Economist*, June 1975, pp. 223-225; and *Oil Commentary* (New Delhi), December 1, 1974; January 15, 1975; and February 1, 1975.
11. *Petroleum Intelligence Weekly* (*PIW*), July 11, 1977, p. 9.
12. *Business Week*, October 3, 1977, p. 56.
13. *PIW*, July 11, 1977, p. 9.
14. See *Platt's*, March 22, 1977, p. 1; and July 12, 1977, p. 1; *Petroleum News: Southeast Asia*, August 1977, p. 12; *PIW*, November 7, 1977, p. 8; and *Business Week*, November 28, 1977, p. 54.
15. *Platt's*, May 20, 1976, p. 2.
16. Assuming the investment costs are recovered in the first five years of production.
17. See *World Oil*, September 1977, p. 23.

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INTERNATIONAL POLITICS AND INTERNATIONAL ECONOMICS: A RADICAL APPROACH

BY STEPHEN HYMER

The following essay is an abridged version of the first and only draft of a paper on which Stephen Hymer was working in the months before his death in February 1974. He had been on leave for the Fall 1973 semester from the New School for Social Research, where he was teaching in the graduate political-economy program. During his leave, he was taking the first tentative steps on a new and important project. His previous work on multinational corporations had led him to view them as the institutionalized form of a constantly internationalizing capital. Understanding the duality of the capital/labor relationship, his analyses had led him logically and politically to the next important questions: If the internationalization of capital had produced multinational corporations, how would workers respond? What new institutional forms would frame the bargaining and struggle between labor and capital in an increasingly integrated world economy? Stephen had planned to begin a long-term research and writing project on the tensions affecting labor and labor organizations in the advanced capitalist countries. This essay was intended as a sketch of his preliminary thoughts on that question.

Like his earlier article which appeared in MONTHLY REVIEW ("Robinson Crusoe and the Secret of Primitive Accumulation," September 1971), this essay is written in a straightforward style: in both pieces, Stephen was trying to communicate widely what he considered to be essential themes of Marxian thought.

Stephen was fond of telling a story about himself as a young graduate student at MIT. He asked his professors what Marx had to offer that other economists overlooked. Only Samuelson replied sensibly—the class

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struggle, of course. This essay reflects that underlying concern in Stephen's own work. It begins with an historical perspective on the relationships between capital and labor and closes with Stephen's tentative projection that the class struggle will take increasingly political forms within the advanced capitalist countries.

Stephen prepared this draft for presentation at several conferences in the fall of 1973, including the New England regional URPE (Union of Radical Political Economics) meetings, a conference on international politics and international economics sponsored by the Brookings Institution, a conference on changes in the advanced industrial societies in Montessori, Italy, a meeting on multinational corporations at Yale, and the annual URPE program at the Christmas meetings of the Allied Social Science Associations. It has already appeared in volumes containing the papers from both the Italy and the Yale conferences and has also appeared in Spanish in *Cuadernos de Economía*.

The essay appears here in its original form. At the time of his death, Stephen intended to make major changes in the paper: to our knowledge, however, he had not yet set pencil to this first draft. (Some footnotes have been added and some minor corrections in spelling and punctuation have been made.) The editorial work on this essay was done by members of the Hymer Papers collective, who, since Stephen's death, have taken responsibility for the disposition of his papers. The collective is currently preparing a collection of his major essays for publication—which we hope will be available from Cambridge University Press in early 1979. The collective can be reached in care of The Department of Economics, Graduate Faculty, New School for Social Research, 66 W. 12th St., N.Y., N.Y. 10011.

—David M. Gordon, New School for Social Research
—Heidi Hartmann, U.S. Commission on Civil Rights

To be radical, or to be a scientist, is the same thing; it is a question of trying to go to the root of the matter. For Marx, this meant trying to uncover the "economic laws of motion of modern society," that is, first of all, seeing society as an organism in motion constantly changing and developing as it moves from its beginning to its end, and second of all, searching in the economy, i.e., in changing conditions of production and exchange, for the underlying basis of this motion.

In this essay, I wish to follow Marx's approach by viewing the present conjuncture of international politics and economics in terms of the long-term growth and spread of capitalist social relations of production to a world level. More concretely, I want to try to relate the current crises in national and international politics to the world market created during the last twenty-five years by the American Empire, first by examining Keynes' 1933 warnings of the difficulties and dangers for the develop-

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ment of modern society posed by the world market, and second, by using Marx's analysis of the general law of capitalist accumulation, and, in particular, his theory of the reserve army to go deeper into the roots of our present difficulties.

The basic text for this analysis is a provocative statement Marx wrote to Engels in October 1858:

> We cannot deny that bourgeois society has experienced its Sixteenth Century a second time—a Sixteenth Century which will, I hope, sound the death-knell of bourgeois society just as the first one thrust it into existence. The specific task of bourgeois society is the establishment of a world market, at least in outline, and of production based upon this world market. As the world is round, this seems to have been completed by the colonization of California and Australia and the opening up of China and Japan. The difficult question for us is this: on the Continent the revolution is imminent and will immediately assume a socialist character. Is it not bound to be crushed in this little corner, considering that in a far greater territory the movement of bourgeois society is still in the ascendent?[1]*

The Beginnings of Industrial Capitalism

Capitalism began as a world market system in the Mercantilist age of the sixteenth and seventeenth centuries when the discovery of America and the rounding of the Cape led to an explosion of maritime commerce and the creation of the first international economy. The epoch-making significance of this great burst of international trade, however, did not lie in the world market itself, but in the transformation of the home market that it unwittingly brought about.

The merchants, adventurers, financiers, and sovereigns of this age set out on an international quest for gold, spices, and new lands, but the really important discoveries were made at home. Specifically, the expansion of foreign trade and the growth of merchant and finance capital resulted, along with other factors, in the disintegration of the traditional non-market domestic economy and the setting free of labor from its pre-capitalist forms of production. This newly created wage-labor force, when harnessed by industrial capital first into manufacturing and then into modern industry, unleashed an explosion

* Notes will be found at the end of the article.

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in productivity that provided society with an entirely new material basis for its existence and ushered in the modern world.

The state's roles flowed from this process of development. The first focus of the new industrial state was primitive accumulation, i.e., a conscious political effort to establish the conditions of modern capitalist production by setting free a wage-labor force to work and fostering a national industrial class to organize it. Those countries which did not effect such a transformation of the domestic economy soon fell prey to one imperial power or another and became underdeveloped.

Once industrial capitalism got going, a second task emerged, namely, that of keeping it going by mediating the contradictions it inevitably produced. These contradictions stemmed from two basic interconnected conditions: (1) the anarchic relations between capitalists which produced great waste and resulted in periodic crises, and (2) the concentration of people into factories and cities and their growing politicization. With the accumulation of capital, these contradictions intensified and a large and elaborate superstructure was formed to contain them.

Thus we find during the late nineteenth and twentieth centuries that the growth and spread of industrial capitalism was accompanied by a strengthening and not a declining nation-state and an intensification of national rivalry rather than its withering away. Internally, the visible hand of the state operated continuously alongside the invisible hand of the market. Internationally, one by one, countries erected national barriers against trade and in the late nineteenth century a scramble began to divide the underdeveloped countries into exclusive spheres of interest and into a new colonial system. The end result of *laissez-faire*, *Pax Britannica*, and free trade was the "welfare state," the First World War, and the complete breakdown of the international economy during the depression.

The World Market Versus National Welfare

It is at this point that our story begins. We find in 1930 a world economy in which:

1) The industrial revolution has more or less spread to Western Europe, America, Russia, and Japan, but is far from

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complete, in the sense that to varying degrees large pockets of non-industrial, non-capitalist sectors remain in each country. Although certain beginnings toward industrial capitalism have been made in isolated spots in Latin America, Asia, and Africa, the vast majority of the world's population lives outside these enclaves.

2) There is a strong disenchantment with capitalism and internationalism, and a belief that the nation-state and not the invisible hand will play the dominant role in economic development. (Even the Fascists call themselves National Socialists.) On the other hand, thinking still remains one-dimensionally capitalist as far as production is concerned since no alternative has emerged to the alienated work process of the capitalist factory. Marx had felt that the working class would organize itself in revolt against the dominance of capital and create a new system of production, but in the 1930s an international revolutionary working class to lead us beyond capitalism still had not emerged.

It is in this context that we turn to Keynes' analysis of the conflict between a world market and national welfare as presented in his 1933 article on "National Self-Sufficiency." In this article Keynes argues that a restoration of the world market would unnecessarily prolong capitalism with its inherent evils and interfere with our progress toward the good society.

Describing himself as a man "who in the last resort prefers anything on earth to what the financial reports are wont to call 'the best opinion of Wall Street,' " he argues that world peace, prosperity, and freedom could best be achieved by emphasizing non-capitalist national self-sufficiency rather than international market capitalism.[2] In stronger language than almost any other economist would dare use, he came to the following conclusion:

> I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel—these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and above all, let finance be primarily national.[3]

He supports his case with three basic arguments. First, he notes that contrary to the belief of the nineteenth-century free traders, the world market created in the Golden Age of *Pax*

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Britannica did not ensure peace but ended in war and a depression. In his words:

> To begin with the question of peace. We are pacifist today with so much strength of conviction that, if the economic internationalist could win this point, he would soon recapture our support. But it does not now seem obvious that a great concentration of national effort on the capture of foreign trade, that the penetration of a country's economic structure by the resources and the influence of foreign capitalists, and that a close dependence of our own economic life on the fluctuating economic policies of foreign countries are safeguards and assurances of international peace. It is easier, in the light of experience and foresight, to argue quite the contrary. The protection of a country's existing foreign interests, the capture of new markets, the progress of economic imperialism—these are a scarcely avoidable part of a scheme of things which aims at the maximum of international specialization and at the maximum geographical diffusion of capital wherever its seat of ownership.[4]

Second, he deals with the question of economic efficiency. He argues that the spread of modern technology makes it easier to produce locally the basic needs of a community and makes the argument for international specialization and export-oriented growth less compelling.

Third, and I think this is the most important part of his case, he argues that the free trader's economic internationalism assumes the whole world was, or would be, organized on the basis of private competitive capitalism. In contrast, Keynes felt that we had to go beyond capitalism if the fruits of the industrial revolution were to be realized in a humane and rational way. But a world market would prevent experimentation in socio-economic organization and thus inhibit the free and full development of our potential.

Expressing a view that is not very popular today except among socialists, Keynes argues:

> The decadent international but individualistic capitalism, in the hands of which we found ourselves after the war, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous—and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. . . .
>
> We each have our own fancy. Not believing that we are saved already, we each should like to have a try at working out our own salvation. We do not wish, therefore, to be at the mercy of world

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forces working out, or trying to work out, some uniform equilibrium according to the ideal principles, if they can be called such, of *laissez-faire* capitalism. . . . We wish—for the time at least and so long as the present transitional, experimental phase endures—to be our own masters, and to be as free as we can make ourselves from the interferences of the outside world.[5]

The Internationalization of Capital

Keynes' view, as expressed in this article, had little effect on the policies which governed the post-Second World War reconstruction and development plans for the world economy. Instead, the best opinion of Wall Street and the City prevailed. "Let there be no mistake about it," wrote *The Economist* in 1942 in an article on "The American Challenge," "the policy put forward by the American Administration is revolutionary. It is a genuinely new conception of world order."[6] In this way *The Economist,* reflecting the policy discussions taking place in London during the war, welcomed the plan to create a post-war world economy based on international capitalism under American hegemony.

The goal of this plan was " 'a new frontier, a frontier of limitless expanse, the frontier of human welfare,' " and " 'the instrument will be industrial capitalism, operating, broadly speaking, under conditions of private enterprise.' "[7] Or, as *The Economist* put it, "the idealism of an international New Deal will have to be implemented by the unrivalled technical achievements of American business. The New Frontier will then become a reality."[8] Or as *Fortune* expressed it with regard to underdeveloped countries, "American imperialism can afford to complete the work the British started; instead of salesmen and planters, its representatives can be brains and bulldozers, technicians and machine tools."[9]

As we now know, this plan was highly successful. The world experienced a twenty-five-year secular boom in which employment, capital, and technology grew rapidly and even the socialist countries began to be drawn away from autarky into the whirlpool of the international market.

Ironically, Keynes' theory of state policy, which he himself believed to be a tool for bringing about the end of capital-

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ism, was used to preserve it. In his *General Theory,* Keynes argued that by restoring full employment through government intervention, we could in a reasonable time destroy capital's monopoly and free ourselves from its grip. He judged that "it might be comparatively easy to make capital goods so abundant that the marginal efficiency of capital is zero," and that this peaceful evolution might "be the most sensible way of gradually getting rid of many of the objectionable features of capitalism."[10] In his view technological change could rather quickly (one or two generations) reduce the rate of profit and thus bring about "the euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalists to exploit the scarcity-value of capital."[11] And at the same time we could save money on management through "a scheme of direct taxation which allows the intelligence and determination and executive skill of the financier, the entrepreneur *et hoc genus omne* (who are certainly so fond of their craft that their labour could be obtained much cheaper than at present), to be harnessed to the service of the community on reasonable terms of reward."[12]

Keynes was as far off the mark here as he was in his call for national self-sufficiency. One generation has already passed. The rate of profit has not fallen; instead, the state has been harnessed to shore it up and ensure the continued growth of private wealth nationally and internationally. Neither have managers' salaries been reduced. Rather, the techno-structure has gained in status and income as it has become an even more crucial element in supporting the expansion of capital and preventing its euthanasia.

Thus, contrary to Marx and Keynes, the world market and the welfare state have not sounded the death-knell of capitalism. At least not yet. Instead capitalism revived from the interwar crisis and flourished in the quarter century following the war.

Now, however, there are signs of strain in the system and a wave of re-examination and reconsideration of its basic framework is taking place in the light of emerging contradictions and crises, national and international. The tightening of the web of interdependence, to use a now popular phrase, seems to be becoming increasingly uncomfortable as we progress into the

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1970s. There is a certain unease in many quarters (dramatized by the oil crisis) that we may be too much at the "mercy of world forces" and too little "our own masters." And there are signs of an outbreak of the national rivalry that Keynes thought was scarcely avoidable if we placed too much emphasis on the world market.

I have argued elsewhere[13] that due to the internationalization of capital, competition between national capitalists is becoming less and less a source of rivalry between nations. Using the instrument of direct investment, large corporations are able to penetrate foreign markets and detach their interests from their home markets. At the same time, capitalists from all nations, including underdeveloped countries, are able to diversify their portfolios internationally through the international capital market. Given these tendencies, an international capitalist class is emerging whose interests lie in the world economy as a whole and a system of international private property which allows free movement of capital between countries. The process is contradictory and may break down, but for the present there is a strong tendency for the most powerful segments of the capitalist class increasingly to see their future in the further growth of the world market rather than its curtailment.

In the next section of this essay, I would like to turn to the other side of the coin and examine the interests of labor in the world market. The main theme is that labor will tend to become more nationalistic and possibly more socialistic as the continued growth of the world market undermines its traditional strategy.

Labor and the World-Market Stage of Capitalism

"Accumulation of capital is, therefore, increase of the proletariat."[14] This is the key concept in Marx's analysis of the general law of motion of capitalist society. Capitalist competition leads, at one level, to the concentration and centralization of capital in large corporations tied together by a capital market and unified at the political level by the state. At another level, it draws an ever-increasing portion of the population into the wage-laboring class, concentrates them into large factories and urban centers, and develops in them a group cohesiveness which makes them a political force in opposition to capital. In this

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way, capitalism, which is based on the competitive wage-labor system, creates within itself forms of social organization which are antithetical to competition and the market system and which, in Marx's view, serve as the embryo of a new society beyond capitalism.

The trend toward class consciousness is, however, a long drawn-out process that proceeds dialectically out of competition between workers. On the one hand, the continuous expansion of capital and extension of the market unifies wage workers into larger and larger groupings as they strive to eliminate competition between themselves; on the other hand, it also introduces new elements of competition which divide workers into antagonistic groups and inhibit their realizing the latent potential of their unity.

Marx identified two major forces in the development of capitalism (in addition to the ideological superstructure of the corporation and the state) which continually create competition between workers and allow capitalism to reproduce itself on an expanded scale and to survive even its worst crises. First, technological change substitutes machinery for labor: by throwing, or threatening to throw, the worker out of the factory and into the market, it breaks up the cohesiveness of labor organization and reduces workers to individuals or small groups competing with each other instead of cooperating. Secondly, capitalism continuously breaks down pre-capitalist areas—what Marx calls the latent surplus population—thus forming a fresh supply of non-class-conscious workers to compete in the labor market.

These two dynamic forces create a stratified labor force which keeps the pretensions of the working class in check. Above the proletariat stands a vast officer class of managers, technicians, and bureaucrats to organize it and to overcome its resistance by keeping it divided. Below it is a pool of unemployed, underemployed, and badly paid strata continuously fed by technological change and the opening up of new hinterlands, which undercut its position and inhibit its development toward class consciousness. This reserve army drives the labor aristocracy to keep on working and keeps it loyal to the capitalist system from fear of falling from its superior position. By the nature of things, these different strata often come from different regions within a

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country, different racial or ethnic groups, and different age and sex classes. Thus, the competitive cleavages between workers often reflect lines of race, creed, color, age, sex, and national origin, which make working-class consciousness more difficult.

The significance of the world-market stage of capitalism into which we have now entered is that this competitive process, which both brings labor together and separates it, has not taken on an international dimension. The growth of world trade brings labor of different countries into closer contact and competition; the internationalization of production via the multinational corporate system was a reaction on the part of capital to this fact. American firms, for example, found that the recovery of Europe and the development of labor surplus economies in the Third World, made it possible to produce certain things more cheaply abroad than in the United States; and competitive pressure from emerging non-American capitalists forced them to invest abroad or enter into licensing and management contracts in order to preserve their position and maintain their growth. More generally, the emergence of a unified world commodity market, which in effect is the emergence of a unified world labor market, switched the domain of competition and its accompanying tendencies toward concentration and centralization from the national to the international plane. But this quest for profit, which led capital to shed its national character and escape the narrow confines of the nation-state, has also intensified competitive pressure on labor and undermined its traditional organization and strategy. This, I suggest, is bound to bring about a new stage of development of labor organization, and it is here we must search for the root of the matter if we wish to understand our present predicament and the development track we are on.

The Political Role of Labor

From a Marxist perspective, the main theoretical shortcoming of Keynes' analysis is that he paid no attention to the conditions of production and the political role of labor. He viewed the market system, based on greed and selfishness, with considerable disdain and wanted to go beyond the profit motive toward a society managed by a society-oriented elite, operating

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in a loose framework that combined state planning and large quasi-public operations. He did not believe that either the capitalists or the "boorish proletariat" could or would lead us to this higher form of organization, but felt that the process of capital accumulation and technological progress would achieve this end naturally, despite the wrong-headed interferences by capital and labor. Thus, neither in his political nor his economic writings, did he pay attention to class struggle as a moving force in capitalist development.

Ironically, this limited perspective was also in one sense his genius, for in fact during the post-war period, the issue of class struggle was highly subdued and labor did not form a serious challenge to capitalism as a system, but instead co-operated within its framework. This was one of the reasons capitalism grew so rapidly and one of the reasons Keynes' theory of monetary and fiscal policy could work.

In the *General Theory,* Keynes shifted the focus of discussion away from the labor market to the capital market. Classical economists saw unemployment and stagnation as the result of too high a level of wages. (In Marxian terms, too low a rate of surplus value.) Keynes instead postulated an elastic supply of labor at the going wage and sought the breakdown of the system in the contradictions between savers and investors, i.e., the rentier class and the entrepreneurial/managerial class. Keynes' preferred way out of this dilemma seemed to be through an expansion of the state and public consumption at the expense of the rentier class, but the alternative preferred by the capitalist was an expansion of the state to promote the growth of private wealth through the stimulation of private investment and private consumption. It was this path that finally predominated.

This strategy was possible because of specific conditions emerging from the great depression and the war which restored the workings of the labor market. In Marxist theory, the functioning of the wage-labor market, upon which capitalist expansion depends, is maintained in the first instance through the institutions of the reserve army.

> The industrial reserve army, during the periods of stagnation and average prosperity, weights down the active labour army; during

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the periods of over-production and paroxysm, it holds its pretensions in check. Relative surplus-population is therefore the pivot upon which the law of demand and supply of labour works. It confines the field of this law within the limits absolutely convenient to the activity of exploitation and to the domination of capital.[15]

In this sense, the long period of large-scale unemployment of the thirties served as a disciplinary action to make labor ready, willing, and anxious to work again in the post-war period. But action at the political level was needed as well.

As soon, therefore, as the labourers learn the secret, how it comes to pass that in the same measure as they work more, as they produce more wealth for others, and as the productive power of their labour increases, so in the same measure even their function as a means of the self-expansion of capital becomes more and more precarious for them; as soon as they discover that the degree of intensity of the competition among themselves depends wholly on the pressure of the relative surplus-population; as soon as, by trade unions, etc., they try to organize a regular cooperation between the employed and unemployed in order to destroy or to weaken the ruinous effects of this natural law of capitalistic production on their class, so soon capital and its sycophant, political economy, cry out at the infringement of the "eternal" and so to say "sacred" law of supply and demand. Every combination of employed and unemployed disturbs the "harmonious" actions of this law. But on the other hand, as soon as (in the colonies, e.g.) adverse circumstances prevent the creation of an industrial reserve army and, with it, the absolute dependence of the working class upon the capitalist class, capital, along with its commonplace Sancho Panza, rebels against the "sacred" law of supply and demand and tries to check its inconvenient action by forcible means and state interference.[16]

The New Deal, the World War, and the Cold War made it possible in the United States to purge the labor movement of its radical elements and create a system of collective bargaining within the framework of the welfare state. This system left the basic capitalist institutions of private wealth and wage labor largely untouched, and channeled labor protest into narrowly-defined trade unionism, which concentrated on selling labor at a more advantageous price without challenging the prerogatives of management and capital, either inside the plant or out of it.

A major factor in making the system work was the existence

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of a latent surplus-population in the underdeveloped countries and backward sectors of advanced countries which could be broken down to form a constantly flowing surplus-population to work at the bottom of the ladder. In the United States the replacement of southern sharecropping agriculture by modern capitalist methods created a flow of black labor to the northern cities, just as the "development" of Puerto Rico led to large-scale immigration into the eastern United States. Similarly, in Europe modernization of agriculture and the importation of labor from foreign countries played a major role in creating the labor supply needed for capitalist expansion. In addition, the advanced countries benefited from cheap prices for raw materials made possible by the creation of a labor-surplus economy in the underdeveloped countries.

Thus, during this twenty-five year period, labor was able to enjoy prosperity and growth as it concentrated on working harder for steadily rising standards of living and refrained from challenging the system politically. By and large the major source of rebellion and protest did not come from the established proletariat during the fifties and sixties, but from the new strata being incorporated into the wage-labor force from their previous position in the latent surplus-population. These groups were highly critical of the conditions of capitalist production, as they found themselves caught between the breakdown of the old system and the unfulfilled expectations of the new one. They were acutely aware of the coercive nature of the capitalist work relationship, since, unlike the traditional working class, they were "disadvantaged," i.e., they had not yet internalized the capitalist values of alienated work. And they were also extremely bitter at the inequality of their position and the discrimination they suffered.

These factors, which gave such great force to their reaction, also limited the scope of their challenge to capitalism. Because they were outside production and at odds with the privileged strata, they were relatively powerless actually to transform the capitalist system. Their programs often tended to be backward-looking, harking after a return to older forms of community production, and/or anarchistically radical, seeking to burn, destroy, and sabotage the system which oppressed them,

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rather than to seize it for their own. They were caught in a dilemma. On the one hand, they were antagonistic to capitalism, but on the other hand, they also wanted to get into it and share its benefits and privileges. The result of this dualism was a tendency for their group to split as some entered the labor force and became part of the system, while others fell down into the stagnant part of the reserve army with extremely irregular employment, well below average conditions of life, and into the lowest sediments which dwell in the sphere of pauperism, thus forming an incredible pool of wasted human beings in the slums, ghettos, and rural hinterlands of the capitalist economy.

The Seeds of a New Class Conflict

The success of the "American Challenge" and the "New Frontier," we have argued, rested on a particular set of initial conditions arising out of the great depression and the World War. These wore down the resistance of labor, destroyed its radical wing, and made organized labor into a willing participant in a strategy based on strong state action to promote growth and international expansionism. But the very success of the plan has tended to undermine these initial conditions, and lead us to a stage marked by crisis and reorientation of basic strategies.

In the first place, memories of the thirties and forties have faded in this period of affluence, while the New Frontier has turned out to be less rewarding than it promised. The growth of national income satisfied some of the pent-up needs of previous decades and created new needs which the market system cannot fulfill. The consumer durables revolution provided most families with a car, a television set, and a refrigerator, but also resulted in overcrowding, pollution, and an energy crisis. The middle-class standard of living, toward which the working class aspired, is predicated in large part on only a few people having it. When everybody has a car, the result is not freedom to escape from overcrowded cities into the countryside, but a crowded countryside. Similarly, when everybody has access to higher education, its elite qualities and privileges are destroyed, and a col-

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lege degree no longer means a ticket to the top of the hierarchy, but an upgraded job at the lower level. Thus, many of the promises of capitalistic consumption tend to be illusory, while alienation and exploitation in the work process remain an ever-present reality. Therefore, job dissatisfaction and a decreased motivation to work has increased steadily over the last twenty-five years, and resulted in the productivity crisis that is causing so much discussion and concern in business circles.

In the second place, the latent surplus-population has been steadily drying up, thus exhausting national pools of cheap labor and lessening the competitive pressure on the work force. Moreover, as more and more people from the non-wage sector are drawn into the wage-labor force, the locus of their struggle against discrimination, alienation, and exploitation shifts from outside to inside, thus infusing the labor movement with new dimensions of protest and militancy. At the same time, the demands for welfare and other support programs by those who are non-incorporated into the wage-labor force eat up the surplus and limit the scope for expanding wages.

These two trends have seriously threatened the collective-bargaining strategy which dominated the trade-union movement over the last twenty-five years. Trade unions can obtain higher wages within capitalist expansion only to the extent that they are matched by increased productivity or passed on to lower strata of the labor force. However, the tightening of the labor market that accompanies capitalist expansion increases the pretensions of the working class, both with regard to wages and relief from work, at the same time that it diminishes the possibility of placing the burden on disadvantaged sectors. Hence, wage demands result in inflation and a crisis in labor organization.

These tendencies in the labor market, which are occurring throughout the advanced capitalist world as capital expansions occur, have led to the widespread adoption of wage and price controls, thus signaling the de facto end, or at least the beginning of the end, of the era of collective bargaining. Trade unions can no longer confine their horizons to the struggle between their membership and its employers, but must bargain politically at the national level over the share of wages in national income.

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In Marxian terms, the material conditions of trade-union consciousness are coming to an end in advanced capitalism since the trade unions can no longer confine themselves to wages, but must deal directly with the problem of the aggregate rate of surplus value, which is a class phenomenon. At this point of development, they soon find out that there is very little that can be done about the rate of surplus value within a capitalist framework, since increases in the share of wages cut down on investment and result in unemployment and a slackening of growth. A socialist alternative, under which the working class seizes control of the investment process, could open new possibilities of organizing production and promoting the growth and development of the potential of social labor. Failing this radical break, the working class is a hostage to the capitalist class on whom they depend for capital accumulation and to whom they must provide incentives in the form of profit and accumulation of capital, that is, more work.

Thus, labor organizations must shift their horizons from the industrial to the national level, that is, they must shift from economic to political action. At the same time, the growth of the world market and the internationalization of capital implies they must also shift their horizons to the world level. Once again, they discover how limited their options are if they do not challenge the capitalist system. If, for example, they adopt a protectionist policy, they can lessen the competition from imports, but they cannot ensure a high rate of national investment if capitalists can escape their national demands by investing abroad. If they try to control capital flight, they then discover that the size and complexity of multinational corporations and the international financial market provide capitalists with numerous escape valves and that unless they take over the whole system, they can only achieve partial control.

Therefore, on both counts—the internal reserve army and the external reserve army—labor is in an objective crisis where its old institutions and policies no longer work, and, what amounts to the same thing, so is capitalism. This is what I believe to be the radical view of international economics and international politics at this juncture in history.

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The Next Twenty-Five Years

Work in the Marxist framework is a political relationship. In the market, where workers sell their labor in exchange for wages, it seems to be only an economic phenomenon, but this is an illusion. What the workers sell is not labor but labor power, that is, their life activity. How this labor power will be used, its duration and intensity, is not settled by competition but by struggle and force. Hence there arises within the business enterprise a political superstructure whose function is in part to coordinate work and in part to overcome the resistance of workers arising out of the antagonistic social relations of production. Similarly, the struggle over work leads to the capitalist state whose function in the last instance is to ensure the reproduction of the basic structural elements of the work relationship—capital and labor. The rise and spread of the market system is thus closely connected to a political struggle to create and maintain the wage-labor force, divided by competition, upon which capitalism rests.

Politics—the getting, keeping, and using of power—is mainly a question of uniting your allies and dividing your enemies. Marx's analysis of the general laws of capitalist accumulation is an attempt to uncover the tendencies toward concentration and class consciousness that develop in the two main contending parties as capitalism progresses.

The peculiar feature of capitalism is that it obtained power and in some sense maintains it with an inherently limited degree of class consciousness. Capitalism is a system based on the mutual indifference of its participants, operating in a structure of competition and the pursuit of selfish interests. In economists' terms, it is a highly decentralized system based on private profit maximization and united through the invisible hand of the market, that is, the law of value. The great strength of this system, which differentiates it from all previous modes of production, is that the competition between capitalists, and between capital and labor, forces a continuous revolution in technology and an epoch-making expansion of material production. But this competitive market nexus is also its chief limit, for it prevents the development of a total view of society commensurate with the increasingly interdependent social division of labor that

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it is creating. The capitalist state attempts to provide some sort of total view, but is sharply limited by the divisions in capitalist society between capital and labor and between capitalists themselves. As capitalism progresses, this contradiction intensifies. The problems of "externalities," to use economists' language, and "socialization" and "legitimization" become more important as more and more problems arise which cannot be managed by the invisible hand of the market. The world market, created since the Second World War, has brought things to a critical point. Capital has expanded to global dimensions, but still maintains a consciousness based on narrow private calculation. The structure of the American Empire, which kept some sort of order on this process in the past, is dissolving and a Hobbesian-like struggle of all against all seems to be emerging at the world level. As the anarchy of competition asserts itself, we find ourselves facing numerous crises, with even greater ones looming in the background.

Labor, in contrast to capital, though it too is divided by competition, steadily struggles to eliminate this competition at higher and higher levels until it reaches a world historic perspective far more total than capital and replaces capitalism by socialism. This unification, however, is a long-drawn-out process, requiring a high development of material forces, i.e., a long expansion of capitalist production.

> Competition separates individuals from one another, not only the bourgeois but still more the workers, in spite of the fact that it brings them together. Hence it is a long time before these individuals can unite, apart from the fact that for the purpose of this union—if it is not to be merely local—the necessary means, the great industrial cities and cheap and quick communications have first to be produced by big industry. Hence every organized power standing over against these isolated individuals who live in relationships daily reproducing this isolation, can only be overcome after long struggles. To demand the opposite would be tantamount to demanding that competition should not exist in this definite epoch of history, or that the individuals should banish from their minds relationships over which in their isolation they have no control.[17]

In this paper we have tried to suggest that the world market, by expanding the edge of competition, has created a

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critical juncture in the labor movement which will force a change in its strategy and structure. During the last twenty-five years, capital has been able to expand and internationalize, first by strengthening and then by eroding the powers of the nation state. During the next twenty-five years we can expect a counter-response by labor and other groups to erode the power of capital. This response will take a political form, i.e., a struggle over state power around the central issue of capitalism and its continuance. Since states are territorial, the locus of the struggle will be largely national, or at least regional, even though the context is international. In the United States, it will probably tend to the formation of some sort of labor party. In Europe, it will probably lead to unification and a closer union between social democratic and communist parties. In the underdeveloped countries, it will lead to an increased role of labor in politics as the new proletariat emerges. And so on.

In this paper we cannot even begin to examine the complexity of the struggle and the numerous paths it can take between the following two extremes:

1) A privileged part of the new working class in the advanced countries joins with capital in a new imperialistic alliance to get higher benefits in return for suppressing blacks, Third World people, foreign workers, women, the aged, etc. I personally think that this extreme is unlikely, due to the large numbers and strength of the disadvantaged groups and the enormous brutality it would take to contain them.

2) At the other extreme, we can imagine a socialist consciousness which unites the disparate elements of labor to effect the transition from capitalism to socialism. Since socialism implies that communities obtain control over their own work and consumption, it would probably have to be based on national or regional self-sufficiency, as Keynes suggested; though with a great deal of international cooperation to permit the free flow of ideas, hospitality, etc.

Much research needs to be done on both labor and non-labor political groups before we can sort out the possible sets of intermediate alliances that might emerge, and analyze their implications for the balance between capitalism and socialism, internationalism and nationalism. This paper merely attempts to

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point to the crucial role of the capital-labor struggle that we can expect in the future. We might end by noting that whatever the outcome—international fascism, socialism, or mixed free enterprise—a great deal of conflict and struggle domestically and internationally is in store for us, especially in the Third World, as the powerful forces unleashed by advanced capitalism come to a head. Our main problem as social scientists and human beings is not only to analyze what is happening, but also to decide which side we want to be on. That is why I spent so much time on Keynes, who asked the right questions, even though he was sharply limited in his answers—because he tried to think history without Marx.

NOTES

1. "Marx to Engels in Manchester, London, October 8, 1858," in Karl Marx and Frederick Engels, *Selected Correspondence* (Moscow: Progress Publishers, 1965), p. 111.
2. John Maynard Keynes, "National Self-Sufficiency," *The Yale Review*, vol. 22 (Summer 1933), p. 766.
3. *Ibid.*, p. 758.
4. *Ibid.*, p. 757.
5. *Ibid.*, pp. 760-762.
6. "The American Challenge," *The Economist*, July 18, 1942, p. 67.
7. Sumner Wells, quoted in "The New Frontier," *The Economist* (June 13, 1942), p. 824.
8. "The New Frontier," p. 825.
9. "An American Proposal," *Fortune* (May 1942), p. 63.
10. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan & Co., Ltd., 1964), p. 221.
11. *Ibid.*, p. 376.
12. *Ibid.*, pp. 276-377.
13. Stephen Hymer, "The Internationalization of Capital," *Journal of Economic Issues*, vol. 6, no. 1 (1972), pp. 91-111.
14. Karl Marx, *Capital*, 3 vols. (New York: International Publishers, 1976), I:614.
15. *Ibid.*, p. 639.
16. *Ibid.*, p. 640.
17. Karl Marx and Frederick Engels, *Selected Works* (Moscow: Progress Publishers, 1973), I:63.

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as reviewed in

The New York Times Book Review

January 29, 1978

INSIDE INDIA TODAY

by Dilip Hiro

"Dilip Hiro's **Inside India Today**—published by the left-wing Monthly Review Press—was very well received when it appeared in London last year. It is an invaluable source for an even closer look at the false bottom in Indira Gandhi's ideological socialist baggage. A veteran Pakistani journalist who speaks a half-dozen Indian languages, Hiro spent nearly two years crisscrossing India to study 'the Congress Party's history, operating style and basic dilemma: how to continue to pose as the party of the poor . . . while pursuing policies that primarily benefit the . . . upper classes.'

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THE IMPORTANCE OF WORKERS' CONTROL FOR REVOLUTIONARY CHANGE

BY LEO PANITCH

Workers' control, workers' participation, workers' self-management: the vast array of meanings that have been attached to each of these terms, ranging in substantive content from revolutionary to reformist to corporatist conceptions, bespeaks an ambiguity characteristic not merely of a lack of scholarly consensus with regard to these terms, but more importantly, a lack of common motivation on the part of people who employ them. Often the literature in this field and the debates at conferences on the subject remind one of the strange world which Alice encountered in *Through the Looking Glass*.

"I don't know what you mean by 'glory,' " Alice said. Humpty Dumpty smiled contemptuously. "Of course you don't—till I tell you. I meant there's a nice knock down argument for you!"

"But 'glory' doesn't mean 'a nice knock down argument,' " Alice objected.

"When I use a word," Humpty Dumpty said, in a rather scornful tone, "it means just what I choose it to mean—neither more nor less."

Leo Panitch teaches political science at Carleton University, Canada.

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"The question is," said Alice, "whether you *can make words* mean so many different things."

"The question is," said Humpty Dumpty, "which is to be master—that's all."

If one had the freedom of Humpty Dumpty in the use of words, the deliberate employment here of workers' control in counterposition to workers' participation would make little sense. But given the way workers' participation has been used most often in the literature and given the nature of the projects that have been initiated in its name, it becomes clear that this term cannot be bent at will to make it consistent with revolutionary change. For the real question is not who is to be master over words, but who, or rather which class, is to be master in the production process and in the society as a whole. Whatever the good intentions of those who originally employed the term, workers' participation has become absorbed by the capitalist class as part of its own ideology, as an expression of its intention to secure class harmony with capitalism, and it has become recognized as such not only by those associated with revolutionary movements, but also by the more industrially militant sections of the working class. Indeed, one is now reminded almost daily of the validity of the suspicions that many trade unionists have always had of workers' participation as symbolizing the attempt to integrate the working class into capitalist authority structures, limiting the autonomy of indigenous working-class organizations, blunting the thrust of workers in the class struggle. To take but one example close at hand, a foremost advocate in Canada of workers' participation, ex-Postmaster General Bryce Mackasey, not long ago promised to initiate an experiment where postal workers would be allowed to run their own postal plant. "There is ample room in the Post Office," he said, "for a greater degree of participation in the decision-making to a certain degree by the workers." What is particularly significant about this statement is not the cautious and obvious qualification to participation suggested by "degree," but rather the *context* in which the statement occurred. The *context* was that of a major attack by Mackasey on the militant Montreal local of the Canadian Union of Postal Workers, which

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had been engaged in both official and unofficial strike action against the Post Office's hiring of casual labor and its unilateral introduction of new technology which entails the elimination of jobs and the imposition of lower rates of pay, but which is not subject to negotiation. The context for Mackasey's participation scheme was his suspension of eighty militant workers, his broader attack on "hoodlum" and "radical" elements in the union whom he considered responsible for "the erosion of managerial rights," and his warning that until these workers were "weeded out of the Post Office and the managerial rights are once more enforced . . . we will continue to have trouble in that particular area." (*Toronto Globe and Mail,* May 26, 1975) Workers' participation is safe, it appears, because it is granted from above, not taken from below.

This particular example of workers' participation as a cover for the consolidation of "managerial rights" through the concurrent suppression of the most militant sections of the working class is of course symptomatic of a general development in post-war capitalist societies. It perhaps reached its crescendo in Gaullist "participation" to counter the spontaneous and potentially revolutionary occupation of the factories during the French May 1968, but its origins go back much further. A most candid and concise definition of the capitalist, and hence in our societies, of the *dominant* meaning of workers' participation, was offered as early as 1950 by Aubrey Jones, then a British Conservative MP, who became more widely known fifteen years later as one of the key architects of the British Labor government's notorious incomes policy. "Authority remains with the employer; it is he who still controls. But those who are controlled are taken into his confidence; their views are solicited; and so the control, by becoming less of an imposition, is made to operate more effectively." (*Industrial Order* [London: Forum Books, 1950], p. 31)

Capitalist interest in workers' participation at the workplace level in the post-war period is in fact closely associated with the emergence within liberal democracy of neo-corporatist structures at the national level, such as indicative planning and incomes policies, designed to induce trade unions to act as agencies of social control over their members. The origins of this

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neo-corporatist development can be generally traced to the potential dislocations in capitalist economies which attended the introduction of Keynesian reforms, particularly the problem that arose with the "guarantee" of full employment and the apparent consequent loss of the socio-economic functions performed within capitalism by the reserve army of labor. For instance, a prescient article in *The Times* of London (January 23, 1943) contended that the fear of unemployment was an "essential mechanism" of the private-enterprise economy, which maintained "the authority of master over man." During the war a substitute for this mechanism had been found in "appeals of patriotism" but "in peacetime with full employment the worker would have no counterweight against feeling that he is employed merely to make profits for the firm, and that he is under no obligation to refrain from using his newly found freedom from fear to snatch every advantage he can." As a solution to the problem, the article recommended a "middle course" between "fascism and socialism," whereby a range of policies, including some nationalization, price and profit controls, social security programs, and workers' councils would combine "to produce a situation in which workers would be prepared to accept discipline to a necessary and reasonable extent." In the form of union participation with business and government representatives in economic planning, and incomes policies at the national political level, and in the form of workers' minority representation on the boards of public corporations and "human relations" techniques on the factory floor, this course has been followed with varying scope and emphasis according to the requirements and conditions of different capitalist countries. Nevertheless, although this neo-corporatist thrust no doubt contributed to blunting revolutionary trends, it has not secured the economic stability which was its aim. The continued struggle for higher wages and income redistribution via collective bargaining (increasingly sanctioned by unofficial rank-and-file strike action), the repeated breakdown of incomes policies and the repudiation of union leaders associated with them, the rejection or indifference on the part of workers to *mitbestimmung* and its sorry variants, are indicative of the impossibility of

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achieving class harmony within and through capitalist structures. The neo-corporatist project has proven inherently unstable, a testament to the continuing contradictions of a society where even the best-intentioned of reforms must be accommodated to the primary needs of maintaining and fostering private capital accumulation.*

In a conscious attempt to divorce themselves from the neo-corporatist element in workers' participation, many proponents of workers' control have adopted the term "workers' self-management" to indicate their belief that workers can take over the running of production only in the context of a socialist society. This has given rise to a significant and large literature on possible models for a self-managed socialist economy, reflecting a desire to offer a vision of a democratic socialist future and a commitment to examining the theoretical requirements of such a system. To the extent that this literature examines rigorously what is certainly one of the key problems of socialist praxis—how comprehensive planning can be married to grassroots autonomy—the contribution it can make is immense. Where it seeks not to counterpose socialism to democracy but to achieve theoretically a synthesis between the two, so that one is inconceivable without the other, it may be located squarely in the finest tradition of Marxism. For, as Hal Draper has recently observed:

> The characteristic answer to the problem [of democracy] emerging from Marx's theory was already located in his notebook critique of Hegel's philosophy of right, where he sought to show that "true democracy" requires a new social content—socialism, and it will be rounded off with his analysis of the Paris Commune, which showed that a state with a new social content entailed truly democratic forms. Marx's theory moves in the direction of *defining consistent democracy in socialist terms, and consistent socialism in democratic terms.* The task of theory, then, is not to adjudicate a clash between the two considerations (a hopeless job once the problem is seen in that light), but rather to grasp

* For a fuller discussion of neo-corporatism, see the author's *Social Democracy and Industrial Militancy: The Labour Party, The Trade Unions and Incomes, 1945-1974* (Cambridge, England, 1976); and "The Development of Corporatism in Liberal Democracies," *Comparative Political Studies* (April 1977).

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the social dynamic of the situation under which the apparent contradiction between the two is resolved.*

There is, however, an inherent danger in writings on self-management, a danger that any discussion of post-revolutionary structures must avoid—that of utopianism. What even the most sophisticated discussions of the relationship between state, party, and self-managed enterprise must guard against is a tendency to theoretical abstraction, above all a failure to consider the role that the actual revolutionary process and the relationship between party and producer groups in that process will have in post-revolutionary structures. There is, in this sense, a certain idealist current running through models—even "transitional" models—of self-management which omits the historical dynamic so central to Marxist analysis and fails to examine whether and how the contradictions of existing society and the political forces operating within them will facilitate self-managed socialism. If self-management is to come about as a real phenomenon it will require a social base to support it; it will have to grow out of the concrete activity of the working class. There must be, at a minimum, a leading element of the rank and file that will infuse the revolutionary process with workers' control, that will have the strength to fight for it within the revolutionary party. Without this, all the models of "pluralism" within post-revolutionary structures are of little worth, as is a theoretical insistence that socialized property not be state property.

This is not simply a critique of work on self-management for leaving out certain questions which might be answered in terms of one writer not being able to cover everything. The point is rather that unless the question of revolutionary praxis is addressed, the discussion of post-revolutionary structures is like drawing figures in the air. Insofar as the discussion is concerned with new structures only, and omits the question of how revolutionary praxis changes the men and women who

* Hal Draper, "Marx on Democratic Forms of Government," in R. Miliband and J. Saville, eds., *The Socialist Register 1974* (London, 1974), p. 102. For a similar view of this question as "perhaps the central problem of socialist theory and practice," cf., in the same collection, Richard Hyman, "Workers' Control and Revolutionary Theory," especially p. 253.

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occupy them, it will often appear that certain attributes of our present society are endemic to all history. Before assuming, for instance, that the conflict between producer, consumer, and citizen roles, which are so symptomatic of the alienation of our present-day existence, is the key question to be resolved through post-revolutionary structures, one ought to consider the integration that might take place in this respect in the course of revolutionary practice by the working class. Indeed, unless one takes this into consideration, the prospects of disillusionment are particularly great. This has been recently exemplified in the historic exchange of open letters between Edward Thompson and Lesjek Kolakowski, where Thompson upbraids Kolakowski for his cynicism regarding the socialist project in the United States. "Let us imagine," Kolakowski suggested with acerbity, "what 'the dictatorship of the proletariat' would mean if the (real, not imaginary) working class took over exclusive political power now in the United States." To which Thompson countered:

> The absurdity of the question appears (in your view) to provide its own answer. But I doubt whether you have given to the question a moment of serious historical imagination: you have simply assumed a white working class, socialized by capitalist institutions as it is now, mystified by the news media as it is now, structured into competitive organizations as it is now, without self-activity or its own forms of political expression: i.e., a working class with all the attributes of subjection within capitalist structures which one then "imagines" to achieve power without changing either those structures *or itself*: which is, I fear, a typical example of the fixity of concept which characterizes much capitalist ideology.*

Insofar as the literature of self-management considers new structures, it avoids this tragic pitfall; insofar as it *fails also* to consider how the working class changes itself in the struggle to establish these new structures, it falls into it as well.

The defects of both workers' participation and workers' self-management can be avoided through a conception of work-

* Edward Thompson, "An Open Letter to Lesjek Kolakowski" in R. Miliband and J. Saville, eds., *The Socialist Register 1973* (London, 1974), pp. 99-100, fn. 69; emphasis added.

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ers' control that places it within the context of the revolutionary process and understands that process as involving a change in the working class itself through its struggle for hegemony. This view of workers' control is the one taken by André Gorz for whom "workers' control is not an end in itself. It is mainly a means or method, a means whose true significance can be understood only if we place it in a strategic perspective of social and political revolution." Thus ongoing workers' struggles for obtaining sufficient power on the factory floor to refuse speed-ups, arbitrary redefinitions of work rules, skills, and rates, etc., must be treated as more than a negation of capitalist authority structures. They must be practically connected with a revolutionary affirmation of workers' power. Today's struggles against the authoritarian factory system must become one moment in the broader assertion "of the capability of workers to take control of the process of production and to organize the working process as *they* think best. To organize the work process in such a way as to stop it from being oppressive, mutilating, soul-destroying and health-destroying; to organize it to allow for the maximum display of each worker's initiative, responsibility, creativity; to organize it to replace forced labor and authoritarian division of labor by free cooperation."*

Among the "classic" Marxist writings of this century, the work of Antonio Gramsci stands out precisely because of its recognition of the importance of workers' self-education and self-change *through* the assertion of workers' control. Although most people versed in the workers' control literature are best acquainted with Gramsci's early articles on the role of factory councils, Gramsci's later work, although more explicitly oriented toward the need for a disciplined revolutionary party, did not depart from this focus, placing particular stress on the necessity for working-class cultural hegemony *before* the revolution, and on overcoming the gap between revolutionary intellectuals

* André Gorz, "Workers' Control Is More Than Just That" in Gerry Hunnius and G. David Garson, eds., *Workers' Control, A Reader on Labor and Social Change* (New York, 1973), pp. 326-339. For a distinction similar to that employed here between workers' participation, workers' self-management, and workers' control, cf., in the same collection, John Case, "Workers' Control: Toward a North American Movement," especially p. 444.

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on the one hand and workers on the other through the medium of the "organic" working-class intellectual.* Gramsci's view, moreover, was that this process, which had to begin in the factories, would not remain confined there, but would extend beyond it to the working-class neighborhood to overcome the alienating division of the individual into producer, consumer, and citizen. He proposed, therefore, the creation of ward committees composed of delegates of all categories of workers residing in a ward. This "knits together and centralizes all the proletarian energies of the ward" and "should be an expression of the whole working class living in the ward." This indigenous system of workers' democracy within, and in counterposition to, capitalism, "whose power will be delegated by free election, not imposed in authoritarian fashion," would not only "give a permanent form and discipline to the masses," but would also be "a magnificent school of political and administrative experience." The task of workers' control was thus not just economic and political, but *cultural* in the deepest sense of that word: "Assemblies held within the workshop, and ceaseless propaganda and persuasion by the most conscious elements, should radically transform the workers' psychology. It should increase the readiness and capacity of the masses for the exercise of power, and diffuse consciousness of the rights and duties of comrade and worker that is concrete and effective, since it has been spontaneously generated from living historical experience."

Gramsci placed such emphasis on the cultural and education factor precisely because he realized, long before the tragedy of Stalinism made this readily apparent, that there was a dangerous tendency in Communist theory and practice to divide the revolution into two separate elements: the destruction of the bourgeois state first, and *after* that the creation of a new liberated social order. But for Gramsci the revolution was indivisible: "The revolution is not necessarily proletarian and Communist if it proposes and obtains the overthrow of the political

* For his early articles see "Soviets in Italy," *New Left Review*, 51 (Sept.-Oct., 1968), pp. 28-58; later writings are collected in *Selections from the Prison Notebooks* (London, 1971). The quotations used here are all from "Soviets in Italy."

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government of the bourgeoisie . . . [or] even if the wave of popular insurrection places power in the hands of men who call themselves (and sincerely are) Communists." Instead:

> The revolution as the conquest of social power for the proletariat can only be conceived as a dialectical process in which political power makes possible industrial power and industrial power political power. . . . The factory council, as a form of producers' autonomy in the industrial field and as the basis of Communist economic organization, is the instrument of a mortal struggle against the capitalist regime insofar as it creates the conditions in which class-divided society is suppressed and any new class division is rendered "materially" impossible. . . . To the extent that it can be achieved by party action, it is necessary to create the conditions in which there will be not two revolutions, but in which the popular revolt against the bourgeois state will be able to find the organizational forces capable of beginning the transformation of the national apparatus of production from an instrument of plutocratic oppression to an instrument of Communist liberation.

As this suggests, those who take inspiration from Gramsci would be wrong to counterpose the movement of workers' control to the need for a revolutionary party. Without a revolutionary party to catalyze, generalize, and raise to the national political level the struggle for workers' power, demands for workers' control at the industrial level will suffer the same problems as trade-union activity; that is, they will remain sporadic, defensive, and localized. Factory consciousness may represent a "higher" level than trade-union consciousness, but it too must be distinguished from class consciousness. There has been an unfortunate tendency among many, given the failures and betrayals of working-class parties, to glorify spontaneity and ignore leadership. Yet recent examples of spontaneous shop-floor action only underline the classic case for a revolutionary party which can integrate the totality of working-class experience and demands. What one must ensure, as Gramsci was concerned to ensure, is that it will be "a party of the masses who want to free themselves from political and industrial slavery autonomously, by their own efforts, through the organization of the social economy, and not a party which uses the masses for its own heroic attempts to imitate the French Jacobins."

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This is much easier to say than do, of course, and to speak of the need for a mass revolutionary party is not to suggest that we abandon all else to rush headlong into party formation. Such a conclusion, particularly in the context of a society without a strong proletarian sub-culture, would only lead to the further proliferation of political *groupuscules*. Before the task of party formation is addressed in immediate terms rather than as an orienting goal, we must ask with Gramsci whether

> a Communist Party [can] really exist (one which is an active party not an academy of doctrinaires and petty politicians who think and express themselves "well" where Communism is concerned) if the masses do not have the spirit of historical initiative and the aspiration toward industrial autonomy that should be reflected and synthesized in the Communist Party? Since the formation of a party and the emergence of real historical forces of which parties are the reflections do not occur all at once out of nothing, but according to a dialectical process, is not the major task of the Communist forces precisely that of giving consciousness and organization to the essentially Communist productive forces that must be developed and by their growth will cause the secure and lasting economic base of the political power of the proletariat?

One must, perhaps, move even one step further back than this at our present stage. Gramsci's efforts, in the context of Italy in 1919, to foster the development of workers' councils, preliminary to the formation of a revolutionary party, made hard sense and his proposals were taken up with alacrity by the workers. But in the present context of North American societies at least, such a program would certainly fall on deaf ears, its adventurist air would be clear, its presumptuousness obvious. In the North American context at present, where the conceptions of workers' control and of a mass revolutionary party require much development to take root among the mass of workers, it is imperative for revolutionary socialists to locate themselves and their deliberations in the concrete activities and struggles of the working class. This means supporting workers' control demands where they arise, aiding spontaneous rank-and-file action, working with militant workers to overcome the organized false consciousness of the official union movement. It does not mean, however, writing off all traditional union ac-

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tivity. A recognition of the limitation of trade unionism as a structural reflection of capitalist authority relations, which seeks to bargain over the price of wage labor but not overcome it, is a *sine qua non* of revolutionary socialism. Equally imperative, however, is a recognition of the dialectical nature of trade unionism, of its position as an indigenous working-class oppositional structure within capitalism. As the shop stewards' movement in Britain and its effect on official trade unionism has shown, the parameters of militant trade-union action are broader than was thought to be the case by many post-war theorists of union integration. While admitting the structural limitations of even militant trade unionism, we must also perceive that it is the soil in which movements for autonomous rank-and-file organizations and mass revolutionary parties can take root.

When we seek to understand workers' control as part of the revolutionary process, when we try to locate the concept in the tradition of the classic Marxist debates on spontaneity and leadership, mass and party, appropriately sober and modest conclusions emerge. The most important of these is that workers' control groups must not merely engage in abstract or future-oriented discussion, but must take their place in the concrete ongoing struggles of the working class. The contribution such groups can make to these struggles and the experience they can gain from them, will help lay the basis for the day when workers' councils and mass revolutionary parties will not be orienting goals but immediate tasks to undertake.

Profit-sharing means to take the lion's share of the products of the wageworkers.

—*Paul Lafargue*

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BOOKS

ECONOMICS, ADVERTISING, AND CONSUMER CULTURE

By Rick Wolff

Captains of Consciousness: Advertising and the Social Roots of the Consumer Culture, by Stuart Ewen. New York: McGraw-Hill, 1976. 261 pp., $10.00.

> Beyond standing at the helm of the industrial machines, businessmen understood the social nature of their hegemony. They looked to move beyond their nineteenth-century characterization as captains of industry. . . . They aspired to become captains of consciousness.
>
> —Stuart Ewen, *Captains of Consciousness*

This carefully argued, well-written book makes an important contribution to the growing body of works in American social history based on an explicitly Marxian position. Its object is to explain the precise contribution of consumer-goods advertising to the mainstream culture of the United States in the twentieth century. Thus the analysis focuses on the 1920s, when massive, nation-wide consumer advertising became a major cultural determinant. Slowed by the Depression and the Second World War, consumer culture flowered in the decades after 1945, to which the author devotes some attention in the final chapter.

I will pass over the book's subtlety and important detail in order to focus on its major points, and then to suggest certain theoretical weaknesses in the formulation of these points.

Ewen's argument directs our attention first to the early twen-

Rick Wolff teaches economics at the University of Massachusetts, Amherst.

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tieth century, when mass production of consumer goods meant the rapid proliferation of routinized, low-skill jobs replacing those that previously required skill, knowledge, and some degree of responsibility. This discussion both acknowledges and parallels the work of Harry Braverman.* Ewen's point is that the destruction of earlier cultural patterns by radically altered structures of production (mass production, automation, etc.) presented an exceptional opportunity to the new advertising industry. This industry, called into being by the economic imperative of marketing the huge outputs of mass-production consumer goods, found its way to profits and growth through exploiting the very cultural disorganization occasioned by mass production.

The advertisers could enhance sales by offering goods—consumption—as the solution for the many subtle problems resulting from the radical alteration of the conditions of capitalist production. Advertisers ministered to the consequences of mass production as an effective means of selling consumer goods. The self-conscious ideologues of the advertising business waxed enthusiastic over their industry's contribution to the stability of capitalism by inculcating the "modern" consumer habits essential to the purchase of mass-produced goods. Ewen reasons that advertising accomplished more than the crucially important selling of goods. It also created a definition of new cultural norms to replace those broken by the changes in capitalist production conditions. In so doing, Ewen emphasizes, advertising contributed to a new culture, a consumer culture, which served to maintain a social stability otherwise threatened by the strains and tensions provoked by the transition to mass production.

A second, closely related argument concerns the internal logic of the advertising industry's development and the consequences of that development. Ewen shows how the themes of advertising campaigns coalesced around a philosophy of life. The more self-conscious advertisers increasingly articulated their objective as the social formation of a distinct concept of life: the nurturance of some, and the destruction of other, attitudes in the buying public. Advertising sought to determine and control new cultural norms, just as industrial corporations sought to increase their determination and control over the production process. The "scientific management" of production induced the scientific management of consciousness.

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* *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (Monthly Review Press, 1974).

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Ewen is at his best in marshalling examples to illustrate these arguments. His evidently thorough immersion in the advertising copy of the 1920s permits him to offer the most telling demonstrations of his formulations. Here I will select only two of many provocative examples. Advertisers early fastened upon the tensions and self-doubts afflicting workers whose jobs no longer required skills. These tensions and doubts revolved around lessened job security which resulted from having no craft-connected distinguishing claim to work. Thus advertisers rushed in to offer all manner of goods designed to project an image for workers that might offer them a bit more secure grasp on employment: lotions for hair, body odor, mouth, face; items of clothing; household furnishings; etc.—all of them offered for sale with the promise that ownership would convey an image of importance to employers.

Ewen makes a complex and convincing argument out of the ramifications of the fact that mass-produced consumer goods rendered the family an institution more and more devoid of any role in production. The husband in the patriarchal pre-mass-production family unit, he says, claimed his authority from his role as manager of family-based production. The wife, too, occupied a position defined not merely by a position secondary to her husband's but also by her essential productive role within the family economy. Both husband and wife found their previous roles—and hence their identities—undermined under the impact of mass production. All production was shifted to the external corporation. With it, all managing activities, all knowledge of the production process, all sources of life-sustaining materials were necessarily associated with the huge employing corporations. The husband's role became one of wage-earner pure and simple; the wife's was newly defined by the advertisers in contradictory fashion. On the one hand, "housewife" became a term describing the manager of the chief function newly assigned to the family, namely the passive task of purchasing; on the other hand, women were defined as rebels against the "old-fashioned," pre-mass-production culture, rebels whose proper purchasing habits—explained by advertising—would successfully acculturate their families to "modern" society. Ewen only barely develops the tension produced in women pulled between the advertiser's image of household quartermaster vs. rebel against "the old-fashioned family"—a rebel who would likely be attracted toward corporate employment like the husband. However, he does suggest the link between such a tension and the women's liberation movements both in the 1920s and currently.

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Ewen makes a good case for viewing advertising as a major mechanism whereby the economic structure of capitalism determines—according to its peculiar needs and dynamic—a corresponding culture. This is the important, intelligently documented core of his achievement. And, as he rightly remarks, this takes the analysis far beyond the meager exposé literature of Vance Packard. However, it is precisely in the formulation which constitutes his achievement that certain theoretical weaknesses crop up which can serve to suggest lines of further thinking and research to readers of the book.

Ewen acknowledges a general theoretical debt to Lukács and Marcuse, and to their notions of reification and one-dimensionality in particular. While there is no doubt that their formulations guided Ewen toward the insights he has produced, they may also underlie some of his theoretical weaknesses. In the first place, that a culture is heavily influenced by the mode of production underlying it and by changes within that mode is well known. That the capitalist mode can be shown to construct a new culture from cultural patterns inherited from earlier times and other modes is not so impressive a point to demonstrate. What does matter is the difference in objectives that determines how one mode constructs its culture compared with how a different mode constructs its correspondingly different culture. Ewen's accomplishment is to show how consumer-goods advertising functioned as the mechanism of an evolving capitalist mode to shape its particular culture. But his weakness derives from a theoretical approach which led him to investigate advertising and culture formation with too narrow a focus.

The theoretical approach is too narrow in that it tends to conceive the economy either without adequate attention to even its basic complexities and contradictions or with exclusive attention to one selected feature. This approach also tends to overestimate the efficiency with which the economy determines the culture and thus to underplay obstacles to, and internal contradictions within, the determination process. And finally, it tends to overlook the interconnected complexity of the determination process between economics and culture. In the case of advertising, this involves overlooking how cultural forms had effects—and what kind of effects—on the underlying economy. With one important exception, noted below, Ewen's analysis of advertising exhibits precisely the weaknesses that are implied in the theoretical apparatus he used in making the analysis.

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Ewen links the culture structured by advertising most often to mass production, but sometimes he makes the link more broadly to the wage system. Now, in all likelihood the link is between advertising and the wage system, with a basic change in the role of advertising resulting from the transition within capitalism to oligopolistic market structures. Ewen makes no reference to oligopoly or monopoly; mass production and economy are terms used almost synonymously. This error of omission is compounded by one of commission. He departs altogether from Marxism in favor of a liberalism à la John Hobson when he speaks of advertising as having been one way to sell goods, while raising wage levels was another. Insofar as mass production was predicated upon radical reductions in cost, and thus price per unit of output, it did not *by itself* render the long-standing cyclical difficulties of capitalism —selling all the commodities produced—any more a problem than they had always been. The weakness here lies with Ewen's much too narrow focus on mass production instead of on the complex interconnection in capitalism of the wage system, technology, and accumulation which comprise the economic basis of the problem of selling goods and thus of advertising.

Not only is advertising related to mass production, but even more to monopolization and thus in turn to the dynamic of capital accumulation. While Ewen did not, of course, need to examine the complexity of the economy, he should not have operated with so limited, so simple, so narrow a concept of economy. By doing so, he missed the complexity out of which advertising grew and to which advertising's history necessarily corresponded.

Ewen's paragraphs repeatedly skirt variants of this formulation: the economy (i.e., mass production) required such and such cultural forms, and hence advertising fostered them. It is, I believe, more in line with the Marxian position to see the economy in terms that are both more complex and more constituted by internally contradictory tendencies. Such a position would seek to connect advertising to such contradictory tendencies, and might perhaps find different types of advertising working at cross purposes with one another. If so, advertising's social role of producing a culture conducive to the stability of capital might not be accomplished as thoroughly as Ewen suggests. He touches far too briefly on this possibility in noting that advertising themes demanded inconsistent behavior from women, producing tensions which contributed to the women's liberation movement. But he fails to develop this insight regarding women; nor does he locate internal contradictions in the effects of advertising on its many other targets. This weak-

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ness increases an unfortunately mechanical tendency of the book: to wit, the simple notion that the economy utilized advertising to construct the culture which stabilized it.

Finally, Ewen's theoretical approach to the economic basis of advertising and to its mechanisms for affecting culture has problematical consequences for his effort to draw conclusions about the relations between capitalism today and its consumer culture. On the one hand, the overwhelming thrust of his argument leads to a notion of the one-dimensionality of U.S. society today, a capitalism stabilized effectively by the consumer culture to which advertising contributed so much. On the other hand, Ewen's subtle and telling critique of, and even horror at, the *quality* of that culture impels him to seek a way out. He evidently believes that such a way out lies in his theoretical postulation of "human needs." References to these are scattered throughout the book but concentrated in the concluding chapter, "The Social Crisis of the Mass Culture." As something of a theoretical *deus ex machina,* these "human needs" appear as unmet by consumer culture, as sooner or later bound to burst through the inadequacy of consumer culture in the direction of revolutionary change.

But this will simply not work. Are we to accept such "human needs" as given or eternal or natural? Are they not also somehow determined, and has not advertising played its role in such a determination? Marx took rather convincing pains to follow his praise of Feuerbach's critique of an idealist human essence ("needs") with a scathing attack on Feuerbach's anthropological notion of essence. But as Feuerbach sought to measure cultural and ideological forms against this essence, so Ewen measures the effectivity of a one-dimensional consumer culture against just such an essence.

If Ewen will recognize that human needs, as well as the culture purporting to fulfill them, are determined *within* the totality of a mode of production, then he must redirect his search for a way out toward an understanding of how capitalism produces a culture that is internally contradictory. He must sharpen his theory, his concept of the relation between economy and culture. That sharpening must include a non-mechanical view of that relation, a view that not only sees determination as functioning in both directions but also, and more important, connects the internal contradictions of the capitalist economy with internal contradictions in capitalism's consumer culture. For it is in these contradictions that human beings are twisted and turned, urged this way and that, driven towards mutually exclusive ends, driven finally to conceive,

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analyze, plan, and execute a revolutionary transformation of the mode of production that so torments them. The capitalist economy heavily influences the "human needs" of its people, the forms and content of its culture, and the resulting inadequacies of the relation between needs and culture.

Captains of Consciousness is a book very much worth reading, as much for what it accomplishes as for the crucial theoretical lessons to be drawn from its weaknesses. A little less Lukács and Marcuse and a little more Althusser would mark a step in the right direction. In any case, score one more for American Marxist scholarship.

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CONTENTS

Volume I Number 1

Eric Hobsbawm	Religion & Early Socialism
Mary Young	The Indian Question Revisited
Lise Vogel	The Contested Domain: The Family, Early Capitalism, and Industrialization
Christopher Lasch	The Flight from Feeling
Mark Tushnet	A Marxist Interpretation of American Law
Leonard Quart	Altman's Films
International Dialogue	
Umberto Cerroni	Italian Communism's Historic Compromise
Special Feature	
Gore Vidal	That Bi-Centenary: *A Brief Note*
From the Other Shore	
Stanley L. Engerman	Marxist Studies of Slavery
Review Essay	
David Montgomery	Goodwyn's Populists

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SLAVERY, RACISM, AND DEMOCRACY

By Theodore William Allen

American Slavery, American Freedom, The Ordeal of Colonial Virginia, by Edmund S. Morgan. New York: W. W. Norton, 1975. 441 pp., $11.95.

In his 1972 presidential address to the Organization of American Historians, Edmund S. Morgan called upon his colleagues to rally in face of a challenge which he perceived emerging in the anti-white-supremacist resurgence in the field of American history-writing. Morgan drew a line between the challenged (concerned with tracing "the rise of liberty, democracy, and the common man"), and the challengers whose concern, as he saw it, is "the history of oppression, exploitation, and racism." He then recommended a line of defense:

The temptation is already apparent to argue that slavery and oppression were the dominant features of American history and that efforts to advance liberty and equality were the exception, indeed no more than a device to divert the masses while their chains were being fastened. To dismiss the rise of liberty and equality in American history as a mere sham is not only to ignore hard facts, it is also to evade the problem presented by those facts. The rise of liberty and equality in this country was accompanied by the rise of slavery. That two such contradictory developments were taking place simultaneously over a long period of our history,

Theodore Allen, a teacher and former coal miner, is the author of *Class Struggle and the Origin of Racial Slavery: The Invention of the White Race.* He is presently writing a history of the origin of the white-supremacist social control system in this country.

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from the seventeenth century to the nineteenth, is the central paradox of American history.[1]*

This "paradox" principle is the core of his latest work, *American Slavery, American Freedom.* The book is presented in four parts, themselves called "Books." But it is in Book IV that we find all that is essential to Morgan's contribution to the "rise-of-liberty" cause in American historiography. Book IV, "American Slavery, American Freedom," does not depend upon the logic of the previous three Books ("The Promised Land," "A New Deal," and "The Volatile Society"). Indeed, the reverse order of dependence is apparent, at least to this reviewer; the first three Books seem deliberately fashioned to support the desired predetermined "conclusion," even if this entails ignoring stubborn contrary facts and well-established counter-theses in the field. Here, therefore, our attention will be directed to the culminating and message-bearing Book IV.

Book IV treats of the establishment of racial slavery at the threshold of the eighteenth century; the political economy and social organization of the so-called Golden Age of the Chesapeake in the middle quarters of that century; and the emergence of Jeffersonian constitutional principles from the Virginia experience. It concludes by asserting that slavery made possible the rise of liberty and equality "which enabled Virginians to lead the nation."

Morgan's main message is this: American slavery was a bad thing; American freedom, a good thing. But the two are a paradox, the good thing being predicated upon its coexistence with the bad thing. On the whole, however, the benefits outweighed the disadvantages for "America." The two-chambered heart of his argument is: (1) the system of racial slavery and white supremacy enabled the lower-class "whites" to achieve an upward social mobility, or at least to prosper; and (2) by affording economic security for "whites," the slavery of Afro-Americans made possible, indeed was essential for, the emergence of the notion of equality as the fundamental constitutional principle for the United States.

In spite of its new coat of "paradox" paint, neither the "economic" nor the "political" part of this rationale is original with Morgan. Edmund Burke in 1758 argued that the "whites" in the Southern continental colonies were more "attached to liberty" than were colonists in the North because, in the South, freedom was a

* Numbered notes will be found at the end of the article.

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racial privilege.[2] Intellectual and political leaders of Virginia, such as T. R. Dew, Lyon G. Tyler, and Henry A. Wise, took up the theme: the racial slavery of Afro-Americans, they said, made possible and actual "one level of equality" among "whites,"[3] and preserved "white" freedom by affording economic and social advancement to "whites" of the laboring classes.[4] "Wherever black slavery existed," said Wise, "there was found at least equality among the white population."[5] And Tyler wrote: "The poorest white man insisted upon his full equality with the best. . . . [T]he easy acquisition of land contributed to raise many of the poor planters in the social scale and to confirm the independence which they enjoyed."[6]

The distinguishing feature of Morgan's defense of this basic thesis is his attempt to prove it by an economic interpretation of the political history of colonial Virginia. What follows is a fair summary of his argument, I believe, although my terminology in some respects differs from his.

The civil war phase of Bacon's Rebellion* exposed the vulnerability of the system of bourgeois social control in Virginia. The orderly pursuit of maximum profits on the basis of tobacco monoculture and the plantation system therefore required the development of new methods of social control. The plantation bourgeoisie, headed by the land-grabbing elite, solved the problem by switching to a basic plantation labor force drawn from Africa, as lifetime, hereditary, unpaid bond-laborers. The ruling class simultaneously moved to eliminate the proletarian component among the European-American population by reducing the importation of European bond-laborers, and by promoting the once-rebellious propertyless European-American laboring people to the status of small landowners, until finally "there were too few free poor to matter." (p. 386) On the basis of common property interests, the

* In 1676 there occurred in Virginia the largest rebellion ever, in any English colony prior to the American Revolution, known to history as Bacon's Rebellion, after the name of its main leader (until his death), Nathaniel Bacon, Jr. It began in April as a quarrel within the ranks of the plantation bourgeoisie over "Indian policy"—not *whether* to pursue a genocidal policy toward Virginia Indians, but merely over the question of at what rate it was to be done—but was transformed from a primarily anti-Indian crusade of the sub-elite planters, into a civil war in which the bond-laborers, African and English, and the landless freedmen, just "out of their time," the two groups constituting the proletarian majority of the colony's population, played an increasingly important role. These rebels were fighting, not for the demands of the sub-elite, but for their own class demands, and above all for an end to chattel bond-servitude.

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petty bourgeoisie could be politically attached to the plantation bourgeoisie as a buffer social-control group against the slave proletarians, in a political system based on the English bourgeois revolutionary principles of "equality as the soul of liberty."

Morgan thus presents a picture of the emergence of a closed social class system in which the division into propertied and propertyless classes coincided with the division between those of European ancestry only and the others, of non-European ancestry of any degree.

In the West Indies a system of bourgeois social control was indeed established in which the division of society according to transatlantic ancestry did coincide with the division into social classes. For reasons too extensive for discussion here, preference for promotion to the petty bourgeoisie was given to workers of European ancestry, no less than in Virginia. But the proportion of European laborers in the West Indies was so reduced that the buffer-social-control group was necessarily composed of persons of varying degrees of African ancestry.

In the continental plantation colonies, however, the matter was not so simple. In 1676 half of the economically active (tithable) European-Americans in Virginia were bond-laborers and another one-eighth were propertyless freemen.[7] A century later this proletarian proportion of the European-American population, though reduced, was still over forty percent.[8] This was the limit of proletarian promotion to the bourgeoisie and petty bourgeoisie. *For the rulers of the continental plantation colonies, therefore, the problem was not that there were not enough workers of only European ancestry, but that there were too many.*

It was that circumstance which accounted for the primary emphasis upon "race" that characterized the system of social control in the continental colonies. Propertied classes, petty bourgeois and bourgeois, do not need special motivation to unite around their interests vis-à-vis the propertyless and exploited. Primary emphasis on "race" becomes the pattern only where the bourgeoisie cannot form its buffer social-control group without the inclusion of propertyless European-American workers. If, in the continental plantation colonies, there had really been "too few free poor to matter," as Morgan says, then those few would have been relegated to social irrelevance, as indeed happened in the West Indies, and the "white race" would have been unnecessary.

In Morgan's view the turn to slavery was an economic inevitability, but racism was the result of a deliberate decision, a decision, furthermore, which might not have been necessary.

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(Chapter XV) The plantation bourgeoisie, he says, deliberately decided to foster racism among European-American workers by conferring racial privileges on them (pp. 332-333, 344), for fear that "freemen with disappointed hopes should make common cause with slaves of desperate hope." (p. 328) In these observations about racism and the system of racial privileges conferred on European-American poor, Morgan says much that serves the class-struggle interpretation of the origin of racism. From the standpoint of its own ruling-class interests, we may gather from Morgan, the plantation bourgeoisie was acting rationally in this matter; Bacon's Rebellion had placed the necessity for a racist policy beyond doubt: no racism, no slavery.

Then why does Morgan insist that this ruling-class fear of proletarian unity was exaggerated, and that slavery might have come to Virginia without racism? Perhaps it is because the idea of rebellion-prone "freemen with disappointed hopes" clashes with the concept of "too few free poor to matter," so important to Morgan's argument. That might also explain why he ignores the work of Jackson T. Main which revealed that in spite of the "Golden Age," the proportion of landless European-Americans in Virginia was greater afterwards than before; plantation farming left increased economic inequality and diminishing wealth in its wake; and European-Americans of the laboring classes were worse off in Virginia than in New England.[9] If the European-American free poor did not matter any more as a potential source of rebellion, it was not because they were too few, but because, alienated by "race" privileges, they had emerged a divided self, as "white" workers.

Morgan believes that there was even less danger of rebellion from Afro-American laborers than from European-American laborers. Since the Africans came to Virginia "already enslaved," the plantation bourgeoisie was spared, he says, the "tricky" business of enslaving them; and once enslaved, they were never allowed those "rising expectations" of eventual freedom which, in Morgan's view, is the fuel of insurrectionism in the poor and oppressed. The plantation bourgeoisie's frequently expressed fears of rebellion by Afro-American bond-laborers, he argues, were greatly exaggerated. "No white person was killed in a slave rebellion in colonial Virginia," he writes. "Slaves . . . [were] less dangerous than free or semi-free laborers." (p. 309)

But this is a line attached at only one end, and therefore it cannot hold. Except in Bacon's Rebellion, no "white person"

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was killed by rebel "free and semi-free laborers," either! And in that struggle they fought side-by-side with "slaves" for land and freedom from bondage. A commander sent to reduce the rebels to obedience to the king, came to one rebel strongpoint and found "four hundred English and Negroes in arms." They forced him to promise, in writing in the name of the king, "freedom from their slavery" under the threat, as he later reported, of "shooting me or cutting me in pieces." Even then, one hundred of them refused to give up their arms, among them being eighty Africans and twenty English.[10] Morgan notes this fact in passing. It is the more curious, therefore, that he pins so much of his argument on the idea that "slaves" were not ready to rebel.

The historian's world has been shifted in its orbit by the force of anti-white-supremacist national liberation unleashed by the Second World War. In days that are gone, traditional historians would have scorned Morgan's assertion that "racism was the answer" of the plantation bourgeoisie to the threat of labor solidarity. Today, too, the writings of a host of historians who insist on "natural" or *a priori* racism as essential to explaining racial slavery (writers such as Winthrop D. Jordan, Carl N. Degler, and Alden T. Vaughan), reflect efforts such as Morgan's to explain racism in terms of the conflict of social classes. In those respects, Morgan deserves credit, in my view, for laboring, along with other historians such as Lerone Bennett, Jr., Oscar and Mary Handlin, and Timothy H. Breen, to bring historiography of the American colonial period into the new day.

Yet the effect of Morgan's "paradox" thesis is no less an apology for white supremacy than the "natural" racism argument. He sets out to meet the "challenge" of those who, in his opinion, overemphasize slavery and oppression in American history. Yet, at the end of it all, he writes, "Racism made it possible for white Virginians to develop a devotion to . . . equality . . . and enabled Virginians to lead the nation."

Then, as if shying at his own conclusion, Morgan suggests the speculation that perhaps "the vision of a nation of equals [was] flawed at the source by contempt for both the poor and the black." But, what *flaw?* If racism was a flaw, then "the rise of liberty" would have been better off without it—a line of reasoning which negates the paradox. On the other hand, if racism made "the rise of liberty possible," as Morgan's paradox would have it, then racism was not a flaw of American bourgeois democracy, but its special essence. Does not his "paradox" contain in itself the very "challenge" which he seeks to refute?

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NOTES

1. Edmund S. Morgan, "Slavery and Freedom, The American Paradox," *Journal of American History* (June 1972).
2. Edmund Burke, *Writings and Speeches,* 12 vols. (London, 1803), vol. 2, pp. 123-124.
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(*Continued from inside front cover*)

in training social scientists for jobs in government. All in all, the experience was a good one for us, not least in the insights it provided into the situation of a country which displays the paradoxes and contraditions of capitalist development/underdevelopment in what must be among their most extreme forms.

On the subject of Spanish translations of MR Press books, readers will be interested to know that of those published by Nuestro Tiempo, by far the best selling title is Leo Huberman's *Man's Worldly Goods (Los Bienes Terrenales del Hombre)*. During 1977, Nuestro Tiempo sold 13,340 of this one title, amounting to just over two-thirds of all sales of MR Press translations. This reflects the extraordinary value of *Man's Worldly Goods* as a fascinatingly readable introduction to the history of both capitalism and theories about capitalism. Reminder: it is still available and selling steadily in English (and many other languages) as well. And young writers in social science and history who aspire to reach a wide popular audience can learn a great deal by studying the examples set by Leo Huberman's works.

It is with deep regret and sorrow that we record the death early in February of Charles Small, a friend of many years and a loyal supporter of MR from its inception. Active in the U.S. labor movement in the 1930s, Charles later moved to Mexico where he developed a wide circle of devoted friends among Mexicans, the North American community in Mexico, and U.S. visitors to the country. He fought a long and stubborn battle against a heart condition which twice required open heart surgery, always astonishing his doctors by his ability to recover against apparently fatal odds. His last illness struck just before our latest trip to Mexico, and it was a bitter disappointment to us that his condition did not permit us to visit him in the hospital in Mexico City to which he had been transferred from his home in Cuernavaca.

Hardly a month passes without our receiving requests from groups or institutions in one or more Third World countries for back issues of the magazine or copies of MR Press books which they need in their work but simply do not have the funds which would enable them to order in the normal way. Sometimes we can scrape up a few used or damaged copies to send, but unfortunately we usually have to explain that our own situation makes it impossible for us to respond to these requests as we would like to be able to. We mention this because it has been suggested that we establish a fund which could be used to meet these requests. Nothing as formal as that seems to be called for, but we would like readers to know that any money they may care to donate for this worthy purpose will be gratefully received and put to good use.

We recently received from its editors Vol. 1, No. 1 of *Theoretical Review,* subtitled "A Journal of Marxist-Leninist Theory and Discussion," published in Tucson, Arizona, by a group calling itself the Tucson M-L Collective. We were impressed by the quality and seriousness of the material in this first number, including among other items a review of "Recent Works on the Character of Soviet Society" (Bettelheim's *Class Struggles in the USSR,* Vol. 1; the exchange between Bernard Chavance and Paul Sweezy in MR, May 1977; and Grahame Lock's Introduction to the New Left Book edition of Althusser's *Essays in Self-Criticism*); and we are therefore glad to inform MR readers of its availability. The address is P.O. Box 3692, Tucson, Arizona 85722. One-year sub (six issues)—$4; single copies—75¢.

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